SUCCESS 7
Secrets of success
Seven routes to the top in business
Page 19

Greenlist blacklist
Lobbyists tell funds where not to invest and why
Page 8

Burning issue
The EC wrangle over waste incineration
Page 8

Wider bands, new tunes
Where making money on currencies now
Page 13

FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY AUGUST 18 1993

Hewlett-Packard earnings rise but share price falls

HEWLETT-PACKARD improved third-quarter earnings by 44 per cent to $271m, but the US computer and electronics group's stock fell because its figures were below Wall Street's predictions. After closing in New York at $75⅞ on Monday, the group's stock had dropped to $71⅛ by noon yesterday. Page 13

Bosnia talks deadlocked: Bosnia's President Alija Izetbegovic was still at loggerheads with his Serb adversaries over the division of Serb-held eastern Bosnia. Page 3

De Larosière has clear run for EBRD post:

Bank of France governor Jacques de Larosière (left) will tomorrow be named new president of the European Bank for Reconstruction and Development, the bank set up to invest in eastern Europe. His election was secured yesterday when the only other contender, former Polish finance minister Leszek Balcerowicz, withdrew. Page 2

France cuts rates: The Bank of France cut overnight interest rates for the third time in eight days. Monetary officials denied they were seeking controls or taxes on foreign exchange flows to curb speculation against the franc. Page 2; Currencies, Page 28

Record Australian deficit forecast: The Australian government forecast a record A$16bn ($11bn) budget deficit, moderate economic growth and higher inflation. Page 12; Editorial comment, Page 11

Sudan risks 'terror' brand: US secretary of state Warren Christopher is poised to put Sudan on the US list of states accused of sponsoring terrorism. Page 6

Ibrahim Babangida said he had offered to quit as Nigerian president and chief of the armed forces, but refused to say if he would actually leave office. Page 4; Editorial comment, Page 11

De Beers maintains dividend: The South African-controlled diamond company is maintaining its dividend at 25.2 US cents a share after improving half year earnings. Page 13

Hanson, the Anglo-US conglomerate, reported taxable profits of £763m ($1.14bn) for the nine months to June 30, 16 per cent lower than in the same period a year earlier, when exceptional gains boosted profits. Page 13; Lex, Page 12

Kurds threaten attacks on tourist spots: A Kurdish separatist group said it might attack popular Turkish tourist spots such as Bodrum and Izmir. Kani Yilmaz, a representative of the political wing of the Kurdish Workers Party, said tourists' safety could not be guaranteed in war zones.

Norwegian minister's jibe: Norway's environment minister Thorhjoern Berntsen admitted calling his British counterpart, John Gummer, a "shitbag". The "drittsekk" jibe came at an election rally where he criticised Mr Gummer over UK pollution causing acid rain in Norway.

Singapore details flotation: Singapore is to sell 6 to 8 per cent of Singapore Telecom in its first privatisation offering in October. About half the initial sales of 900m to 1.2bn shares will be made through a tender, with foreign investors able to take part without restrictions. Page 4

Storm lashes Philippines: Manila was waist-deep in floodwater after tropical storm Tasha swept in from the Pacific. Mudflows two metres deep slid down Mount Pinatubo, commuters were stranded and some domestic flights cancelled.

US doctor charged: Controversial Michigan doctor Jack Kevorkian was charged with breaking the state's new suicide law for helping a 30-year-old man end his life earlier this month. Two previous murder cases against Kevorkian were thrown out because the state had no suicide law.

Hong Kong talks end: The latest round of talks between Britain and China on Hong Kong's political future ended in Beijing without any sign of progress.

More Russian diphtheria cases: Fifty soldiers in the Siberian region of Khakassia have succumbed to the diphtheria outbreak sweeping Russia. Outbreaks of other dangerous diseases from anthrax to cholera have been reported in the past week.

■ STOCK MARKET INDICES

FT-SE 100:	3025.0	(+16.7)
Yield	3.79	
FT-SE Eurotrack 100	1284.89	(+8.57)
FT-A All-Share	1503.20	(+0.5%)
Nikkei	20,841.98	(-59.51)
New York lunchtime		
Dow Jones Ind Ave	3561.11	(+1.96)
S&P Composite	452.32	(-0.06)

■ US LUNCHTIME RATES

Federal Funds:	3⅛%
3-mo Treas Bills: Yld	3.065%
Long Bond	99 13/32
Yield	6.287%

■ LONDON MONEY

3-mo Interbank	5 15/16%	(same)
Liffe long gilt future:	Sep 113 21/32	(Sep 113 11/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$17.17	(17.05)

■ Gold

New York Comex (Dec)	$374.9	(378.4)
London	$372.70	(373.75)

■ STERLING

New York lunchtime:		
$	1.486	
London:		
$	1.488	(1.484)
DM	2.5225	(2.5025)
FFr	8.8725	(8.8575)
SFr	2.2425	(2.225)
Y	151.0	(150.0)
£ Index	81.0	(80.3)

■ DOLLAR

New York lunchtime:		
DM	1.6945	
FFr	5.953	
SFr	1.505	
Y	101.4	
London:		
DM	1.698	(1.6865)
FFr	5.9625	(5.975)
SFr	1.5065	(1.4985)
Y	101.45	(101.05)
$ Index	65.3	(same)

Tokyo close Y 101.55

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lv25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr18.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs85	Sweden	SKr15
Denmark	DKr16	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

China freezes pay of state enterprise workers

By Tony Walker in Beijing

CHINA has imposed a wage freeze on employees of bloated state enterprises as part of its austerity drive to regain control of a runaway economy.

The authorities have also warned that state enterprises which make no effort to pay off their debts would gradually lose their subsidies.

Also yesterday, Mr Zhu Rongji, senior vice premier in charge of the economy, called for an accelerated programme of economic reform to deal with the country's overheating economy.

"We should carry out the rectification by means of reform, accelerate the reform on the basis of rectification and lose no time in promoting reform," Mr Zhu told a meeting of Chinese bankers.

The latest measures to curb waste in the loss-making and overmanned state sector indicate that China may at last be preparing to tackle one of its biggest economic challenges.

But problems in this area are so deep-rooted that even if a determined start is made now it will take years to bring the situation under control.

An official in China's labour ministry was quoted yesterday in the English-language China Daily as saying that the payment of wages, bonuses, allowances, subsidies and commissions had "run out of control".

Urban employees' wages have risen by 21.7 per cent in the first six months of this year compared with the same period last year. State-owned industry paid out Yuan41.29bn ($7.24bn) in bonuses, 36 per cent more than the same period in 1992.

China's economy grew by 13.9 per cent in the six months to June. The cost of living rocketed by more than 17 per cent in the same period, panicking the leadership into a severe programme of retrenchment, including a credit squeeze, and a crackdown on speculative real estate development.

Western economists in Beijing estimate that more than 50 per cent of China's state enterprises are losing money. Total annual losses are estimated at around Yuan100bn. There are more than 10,000 small, medium and large state enterprises.

Mr Rongji, who was appointed to head the People's Bank, China's central bank, last month, is responsible for a wide-ranging economic stabilisation programme that aims to bring inflation down below 10 per cent within the next six to twelve months.

The programme's other objectives include restraining money supply growth, curbing investment in fixed assets, and combating rampant speculation in real estate and commodities.

There was no indication yesterday how the government would try to tackle spiralling wage rises in the private sector, which officials acknowledge would be more difficult to control.

Taiwan's old guard hangs on, Page 10

British Gas may be broken up by UK government

By Deborah Hargreaves in London

BRITISH GAS, one of Europe's largest energy companies, would be forced to sell its trading activities and see the eventual abolition of its monopoly over household supply if the UK government adopts recommendations made yesterday by the country's Monopolies and Mergers Commission.

The report proposed a nine-year timetable for the introduction of competition into the entire UK gas market.

The proposals were much more far-reaching than had been expected in the gas industry. If accepted by the government, they would lead to the largest corporate break-up ever seen in the UK, and bring about a complete transformation of gas transportation and supply.

British Gas, which was privatised by the UK government in 1986, had turnover approaching £10.5bn ($15bn) in 1992, of which £8.1bn arose from UK gas supply.

The introduction of full competition into household gas supply would go further than any other country, including the US, in freeing up the market for domestic customers.

British Gas said the proposals would result in the loss of at least 20,000 jobs at the company and keep its profits below the levels achieved in recent years. But the company's shares rose 4p to 328p on the London Stock Exchange.

Gas chief welcomes 10-year working framework ....Page 7
Editorial Comment ....Page 11
Lex ....Page 12
London stocks ....Page 21

Mr Cedric Brown, chief executive of British Gas, said the report's recommendations should allow the company to plan ahead with greater certainty. However, he said it would place British Gas under financial strain forcing a stringent review of its entire investment programme.

The monopoly authority suggested a phased introduction of more competition into the gas market with a partial opening up on March 31 1997.

The company's trading arm would have to be sold off by then to remove any conflicts of interest between its own marketing activities and its operation of the pipelines network.

A complex pricing formula which governs the charges British Gas can levy on households should also be eased slightly, the commission suggested.

Mr Michael Heseltine, trade and industry secretary, will have to decide whether to enshrine the commission's recommendations into law. The government could shy away from changes which could lead to higher prices for domestic customers.

Mr Neil Hamilton, consumer affairs minister, said the government had not reached a view on the commission's findings.

In addition, the government may want to push ahead with the introduction of competition more quickly. Ofgas, the industry regulator, said it believed the commission had been "overly cautious" in its proposals for freeing up the market.

Ofgas and many of British Gas's rivals which supply industrial customers would like to see the gas market freed up at the same time as electricity supply, scheduled for 1998.

The monopolies inquiry was called a year ago after a series of rows between British Gas and its regulator. Sir James McKinnon, head of Ofgas, wanted the Commission to set a rate of return that British Gas should be allowed to earn from its pipeline operations. Mr Brown, however, requested a full review of the company's activities.

British Gas was last subject to a Monopolies Commission investigation in 1988 because competition in the industrial supply market had been slow to develop since privatisation. The inquiry concluded that this resulted from lack of access to gas supplies and recommended that British Gas buy no more than 90 per cent of gas from new North Sea fields.

British Gas yesterday said the government should consider setting up a body to regulate Britain's regulators after the Monopolies Commission rejected a request by it and other companies for an examination of the overall system of regulation.

SE-Banken cancels request for state aid

Swedish prime minister Carl Bildt meets the press in Stockholm on the day he welcomed SE Banken's decision to withdraw its request for state support and his government agreed to send Swedish UN troops to Bosnia. Nato faces a Sarajevo dilemma, Page 3

Swedish bank in rights issue

By Christopher Brown-Humes in Stockholm

SCANDINAVISKA Enskilda Banken, Sweden's leading commercial bank, withdrew its request for state support yesterday, after disclosing plans to raise SKr5.3bn ($660m) through the largest rights issue in Swedish banking history.

The bank also announced a return to profit in the second quarter and the first fall in loan losses since it plunged into crisis last year. "The crisis for the bank is over," said Mr Björn Svedberg, group chief executive.

The performance was also seen as a sign that the worst is behind Sweden's banking sector, which has been ravaged by huge losses – mainly linked to collapsing real estate values – during the past two years.

Mr Carl Bildt, Sweden's prime minister, said the bank's decision to withdraw its application for state support was "good for tax payers, good for SE Banken and good for confidence in the Swedish economy".

The bank said it was withdrawing its request for state aid because it no longer felt in danger of falling through minimum capital adequacy requirements – a significant turnround from its position in February when it first applied for help. The rapid

Continued on Page 12
Lex, Page 12

Rexrodt moves to defuse VW spying row with GM

By Quentin Peel in Bonn and Christopher Parkes in Frankfurt

Mr Günter Rexrodt, the German economics minister, yesterday stepped into the bitter dispute between the motor giants Volkswagen and Adam Opel, General Motors' German subsidiary, apparently aiming to defuse the conflict.

His intervention is a clear indication of concern at the highest levels of the German government over the damage done to the country's international reputation by the row over the alleged theft of industrial secrets.

Chancellor Helmut Kohl, as well as Mr Rexrodt himself, has already publicly urged the two sides to settle their differences.

Mr Rexrodt invited Mr David Herman, chairman of Adam Opel, for talks at the economics ministry in Bonn last night and he has agreed on a similar meeting with Mr Ferdinand Piëch, the VW chairman, to be held on Friday. Both companies have agreed to the discussions.

A ministry spokeswoman said Mr Rexrodt was not seeking to mediate directly in the dispute, in which GM has accused VW of industrial espionage and the theft of confidential documents.

"He is merely seeking to inform himself about the situation, and about the arguments on both sides," she said.

The move was immediately welcomed by VW as a step towards peace talks between the two companies. They have been at loggerheads since Mr José Ignacio López de Arriortúa, former global purchasing director

GM diesel engines to be built in Germany ....Page 12

for GM, defected to VW in March. GM accused Mr López and several associates of systematically plundering industrial secrets before their departure.

There was less enthusiasm from senior officials at Opel, who insist that before the two companies can sit down together Mr Piëch must withdraw what Opel sees as anti-American accusations against GM, and his suggestion that the US company was somehow responsible for planting its secret documents on VW employees.

In a furious outburst last month, Mr Piëch suggested GM was trying to damage VW in a commercially motivated war. This week he underscored his commitment to his production director, repeating that he would "put my hand in the fire" for Mr López.

Opel officials added yesterday that the company would not enter peace talks while the German legal authorities were in the middle of an investigation into allegations of theft, industrial espionage and fraud.

At VW, Mr Otto Wachs, a company spokesman, said the Rexrodt initiative was "very much to be welcomed, because it supports us in our efforts to talk to each other. For two weeks we have been trying to initiate talks with Opel, but so far without success," he said.

Yesterday, Mr Georg Nauth, spokesman for the public prosecutor in Darmstadt, which is responsible for the investigation, expressed some doubt about VW's move to appoint independent assessors KPMG Deutsche Treuhand. He insisted that his office was already in possession of more information than would be available to an independent investigator.

"An independent investigator cannot undertake searches, cannot confiscate documents, and cannot make inquiries at Opel," he said.

CONTENTS

News	Lex 12	Crossword 21	FT World Actuaries 32	Share Information 22,23
European News 2,3	**Features**	**Companies**	Foreign Exchanges 28	
International News 4	Leader Page 11	UK 17,18	Gold Markets 20	Traditional Options 16
American News 5	Letters 10	Intl. Cap Mkts 18	Equity Options 16	
World Trade News 5	Management 16	Intl. Companies 14,16	Int. Bond Service 16	
UK News 7	Observer 11	**Markets**	Managed Funds 24-28	London SE 21
People 19	Environment 8	Commodities 20	Money Markets 28	
Weather 12	Arts 9	FT Actuaries 21	Recent Issues 16	Wall St/Bourses 29-32

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French cut overnight rates again

By John Ridding in Paris

THE Bank of France cut overnight rates for the third time in eight days yesterday, continuing its strategy of gradually trimming borrowing costs in the wake of the European currency crisis.

The cut came amid firm denials by French monetary officials that they were seeking controls or taxes on foreign exchange flows as a means of curbing speculation against the French currency.

The franc strengthened following yesterday's 0.5 percentage point cut in 24-hour borrowing rates to 8.75 per cent. It closed at 3.517 to the D-Mark, up from 3.544 at Monday's close, but still about 10 centimes below its previous European exchange rate mechanism floor rate of FFr3.4305.

The currency has stabilised since the end of the last week when revelation of a substantial net deficit in the central bank's foreign exchange reserves raised fears of a prolonged period of high interest rates.

These were compounded by comments by Mr Edouard Balladur, prime minister, that France would propose measures to curb speculation and stabilise the international monetary system.

But French monetary officials said yesterday that the idea of reintroducing capital controls was "totally absurd". Alternatives, such taxing foreign exchange transactions or requiring commercial banks to place funds with the central bank to match overseas lending, were also dismissed.

"Restricting the freedom of capital movements would be a move in the opposite direction to the one we want to pursue," said one financial official. France's objective of closer economic and financial integration between EC countries would be undermined by restrictions on capital flows.

Yesterday's interest rate cut still leaves overnight borrowing rates above their pre-crisis levels of 7.75 per cent. The 5-10 day borrowing rate, suspended during the crisis and reintroduced at 10 per cent, was left unchanged. The intervention rate, the floor for money market rates, has also been left at 6.75 per cent since the crisis.

Economists said the Bank of France would probably bring overnight rates down to pre-crisis levels within the next month, as long the franc stayed relatively stable.

Paris sets out plan for jobs increase

By John Ridding

THE French government has finalised a five-year plan to fight unemployment by reducing the costs of hiring workers while maintaining social benefits, the Labour Ministry said yesterday.

Government officials said that the scheme would be the centrepiece of its strategy to reduce unemployment, forecast to rise to 12.5 per cent by the end of the year. But they declined to give details before the plan is formally announced on Thursday.

The plan is expected to include a fixed timetable for the government's commitment gradually to take over from employers the burden of social security charges for employees' families. The French government has already cut employers' payments for the lowest paid workers and is committed to doing away with them entirely.

The plan may also include modifications to the SMIC, the inflation-indexed minimum wage. The SMIC is blamed by many employers and political commentators as one of the principal factors in France's high unemployment rate, particularly among the young. The unemployment rate for 18-25 year olds is about 20 per cent, one of the highest rates in Europe.

But Mr Edouard Balladur, the prime minister, said last week in a television interview that he did not want "to use the pretext of an economic crisis to reduce the protection of the least advantaged in the country".

Officials at the Labour Ministry said that the main emphasis of the plan, which contains about 50 measures, would be the simplification of procedures and the reduction of costs relating to access to the labour market, training and state administration.

Mr Balladur will discuss the plan with trade unions and employers on September 6. It will go to the full cabinet on September 15 and be presented to parliament from October 4.

Mr Jacques de Larosière: a clear field Terry Kirk

De Larosière secure as president of EBRD

By Robert Peston

THE Bank of France governor, Mr Jacques de Larosière, will be named new president of the European Bank for Reconstruction and Development tomorrow. The bank was set up in 1991 to make investments in eastern Europe and the former Soviet Union.

The election process to replace Mr Jacques Attali, who quit last month amid claims of extravagant spending at the EBRD, does not formally end till the close of business today. However, Mr de Larosière yesterday became the only candidate when Mr Leszek Balcerowicz, the former Polish finance minister, withdrew.

"Even if Mr Balcerowicz had continued to contest the election, it would not have made any difference," said an EBRD executive. "Mr de Larosière has already secured enough votes."

The bank is owned by 56 countries and international agencies. More than 50 per cent of its share capital is owned by the Group of Seven leading industrial countries, which have voted for Mr de Larosière. The successful candidate needs a majority measured both by countries and by shares.

Mr Attali has returned to Paris where he is working from an office at the conseil d'etat, which advises the French government on constitutional issues.

One of Mr de Larosière's first tasks will be to reassess the bank's mandate, to determine whether it should invest a greater proportion of its capital in the public sector and whether it should take greater risks.

Brussels to investigate potash merger

By David Gardner in Brussels and Judy Dempsey in Berlin

THE European Commission has started a detailed inquiry into the planned merger of two potash producers in west and east Germany, which it fears might create a monopoly.

The proposed merger is between the potash and rock salt business of Kali + Salz, a subsidiary of BASF, and Mitteldeutscheo Kali, an east German producer being privatised by the Treuhand agency.

After a month-long investigation, the Commission has concluded that "the merging companies will have an extremely high combined market share or even enjoy a monopoly with regard to the supply of potash products in Germany".

The Treuhand, however, said the merger would reduce annual potash capacity in Germany from more than 4m metric tonnes to 3.1m tonnes, and make the industry more competitive.

"The aim of the merger is to secure as many jobs as possible, as well as investments for the potash industry in eastern Germany, and at the same time reduce capacity," a Treuhand spokesman said.

Brussels now has four months to decide whether to let the merger through, under vetting powers granted nearly three years ago. Since then, it has blocked only one of 165 cases – the planned Franco-Italian takeover of Canadian aircraft-maker de Havilland.

But 11 cases have reached the "in-depth investigation" stage now opening for the German potash alliance. In seven instances, the companies involved have been forced to alter the terms of their proposed merger, usually by divesting assets, ending capital or contractual links between competitors, and the cancellation of exclusive distribution arrangements. Ona Commission official suggested yesterday that the terms of the Kali + Salz/MdK merger might also have to be altered.

The Commission is also examining whether to authorise around DM1bn ($595m) in state aids provided through the Treuhand to cement the alliance, although it has generally treated state aid for the restructuring of east German industry indulgently.

Russia launches oil privatisation

By Leyla Boulton in Moscow

RUSSIA launches the first official privatisation of oil companies today.

On offer are just 8.3 per cent of Komineft, which produces oil and gas, and two of its subsidiaries, Tebukneft, which produces oil, and Snabneft, which supplies oil equipment. The fact that only a small proportion of shares are on sale, compared to stakes offered in manufacturing and services, reflects the political battle around privatisation, particularly of such a key industry.

Despite attempts by Mr Anatoly Chubais, privatisation minister, to switch companies from socialism to capitalism as fast as possible, there has been well-argued opposition to giving away shares in an industry requiring particularly large capital investment.

Russian parliamentary leaders yesterday accused President Boris Yeltsin of planning "to seize power from the legislature" on Friday, the second anniversary of the failed coup launched by Russian hardliners in 1991, write Chrystia Freeland and Dmitry Volkov in Moscow. There is widespread concern that the power struggle between conservatives and reformers in the leadership could come to a head on that day, when rival demonstrations are planned.

Subscription for shares, offered in exchange for privatisation vouchers given to each Russian citizen but purchasable by foreigners and others, is open until September 15.

Mr Valentin Leonidov, director-general of Komineft, said another 8 per cent of his company would be put on sale later for money, with the proceeds providing a welcome "if insignificant" financial boost of perhaps Rbs3bn.

He hoped to attract some foreign investors.

Komineft is one of Russia's better-run oil companias. "Leonidov is excellant," said one western oil executive whose company has a joint venture with Komineft. "With Komineft, you would be buying into something that's functioning relatively well already."

Although the oil industry is considered a jewel of the Russian economy, it is saddled with customers who do not pay their bills, including state-owned refineries. As a result, it is owed a total of Rbs1,200bn. Komineft is owed Rbs66bn, while owing other companies just Rbs5bn.

Starved of investment by the state, a quarter of his oil wells are idle, and he axpects his production, including that produced hy joint ventures, to fall to 11m tonnes this year from 12m last year.

He has so far relied mainly on foreign capital to help redress tha situation, setting up five joint ventures with foreign partners which supply equipment in return for the right to export oil produced.

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Georgian arrest in US envoy's killing

THE Georgian authorities said yesterday they had arrested the man who shot US diplomat Fred Woodruff earlier this month, but described his death as a "chance killing", Reuter reports from Tbilisi.

"The crime has been solved. The criminal has been identified, the investigation is proceeding, and we expect him to go on trial," the first deputy interior minister, Mr Mikhail Osadze, said on radio.

Mr Woodruff, who according to unconfirmed US press reports was working for the Central Intelligence Agency, was killed with a single bullet to the head on August 8 while travelling in a car with Georgian leader Eduard Shevardnadze's security chief.

Mr Osadze, speaking to Reuter by telephone, said the unnamed suspect had apparently fired in an attempt to stop the car in which Mr Woodruff was travelling, but had not intended to kill any of the passengers.

Bosnia talks at impasse on carve-up

By Laura Silber in Geneva

BOSNIA'S President Alija Izetbegovic yesterday remained at loggerheads with his Serb adversaries over the division of Serb-held eastern Bosnia, which was mostly Moslem before the outbreak of war 17 months ago.

The deadlock highlighted the apparently irreconcilable differences between the two sides over eastern Bosnia. Bosnian Serbs claim the bulk of the region, which borders on Serbia.

Mr John Zametica, the Bosnian Serb spokesman, said: "The Moslem side claims most of the territory of eastern Bosnia and would like to exercise sovereignty there. From the Serbian view that is unacceptable. It fails to take into account the reality of the ethnic distribution of population."

In contrast to official census reports from 1991, Mr Zametica insists that Serbs then comprised the majority in the region. He dismissed as "unrealistic and maximalist" the demands of Mr Izetbegovic, a Moslem.

Mr Izetbegovic, in a written statement, said no progress was made after a 90-minute meeting. Mr Mohamed Filipovic, a Moslem opposition politician, said that the two sides "were operating on completely different principles", one based on military gains and the other on the ethnic composition of areas before the war began.

The impasse came a day after the announcement that the leaders of Bosnia's three warring parties had agreed "in principle" to demilitarise Sarajevo and place the Bosnian capital under interim UN administration.

However, after the first meeting of the three-man committee established to make recommendations on the future status of Sarajevo, Mr Filipovic, one of its members, said: "The only thing we agreed on is that we disagree."

"The US is trying to exert pressure on the Serbian side and Lord Owen is trying to soften that pressure," he added as international mediators pressed forward with negotiations on the maps.

Mr Zametica said Serbs were willing to make some compromises over the eastern enclaves of Zepa, Gorazde and Srebrenica. Serb forces expelled and killed hundreds of thousands of Moslems, confining the rest into the three enclaves proclaimed "safe areas" by the UN.

A Serbo-Croat proposal for the maps leaves the Moslems, who made up 44 per cent of the pre-war population of 3.5m, in a landlocked republic consisting of two parts as well as the three pockets in eastern Bosnia. The plan does not give any guarantee of access to Adriatic ports.

In contrast, a map proposed by the Bosnian government claims most of eastern Bosnia and territorial access to ports on the Sava River at Brcko, north-eastern Bosnia, and the Adriatic.

The setting up of a UN protectorate needs political will as well as firepower

Nato faces a Sarajevo dilemma

By Gillian Tett

WHILE Monday's tentative agreement at the Bosnian peace talks on the future of Sarajevo might have marked a welcome breakthrough for the Geneva mediators, it has left Nato facing another military headache.

Few doubt that if the settlement being discussed at Geneva is to have any hope of success, it will require the largest ever deployment of peace-keeping forces in the United Nations' history.

But though a speedy deployment will be essential for the policing of any agreement, diplomatic sources yesterday indicated that the key questions of who would provide the troops – let alone actually pay for them – remains far from resolved.

Although Nato officials insist that there is still the political will in the alliance to ensure the necessary deployment, the failure to reach an agreement so far remains one of the many "chicken and egg" dilemmas that could yet derail the peace process. Without a firm military commitment to police a settlement, there seems little likelihood of ending the negotiations. However, after months of broken cease-fires and peace agreements, most western countries argue that they cannot offer more troops until they have a clear agreement.

A Nato source in Brussels yesterday said: "The fact is that without implementation there can be no agreement. President (Alija) Izetbegovic is never going to sign anything until he thinks he knows exactly what protection he will have." Faced with this situation, Lord Owen, the international mediator, was yesterday at pains to reassure the Moslem delegation that the 3,000 UN protection troops currently in Sarajevo should be enough to make the recent agreement to run the city as a UN protectorate viable.

In practice though, UN officials admit that they have little idea what the protectorate would actually entail. They point out that if the peace-keepers are to act as anything more than military observers, they would probably require a force of at least 6,000. Further afield, the figures become even more uncertain. The previous peace settlement drawn up in the spring, which divided Bosnia into 10 semi-autonomous provinces, envisaged a peace-keeping force of around 70,000, of which a third were expected to be US troops. Under the present plan, on the basis that fewer borders would require fewer soldiers, military strategists now believe that some 35,000 to 45,000 troops would be sufficient for the operation, according to some diplomats.

Since the UN already has 24,000 ground troops in the former Yugoslavia, of which 10,000 are currently in Bosnia, Nato officials argue these troops could provide the necessary stop-gap solution.

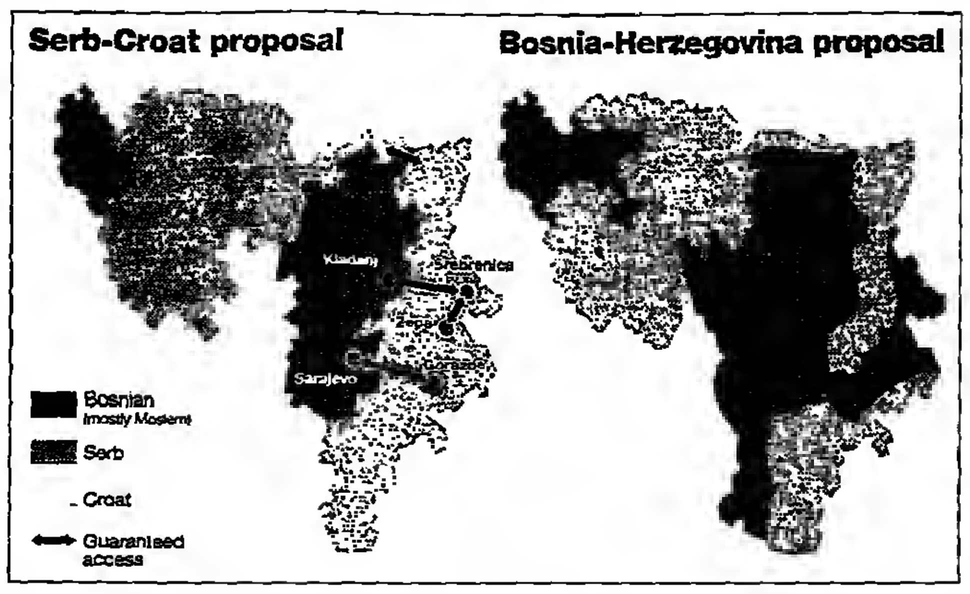
But since they are operating under a humanitarian brief, deploying them as peace-keepers would require a new UN resolution – potentially another delaying factor. And with the UN already facing its worst cash crisis in its history – in which the countries contributing peace-keeping troops are already owed some $360m (£241.6m) – it remains unclear where the extra 20,000-plus troops would come from.

In the light of Washington's previous refusal to commit any ground troops, the European members of Nato are now hoping that the largest provider will now be the United States.

One possibility suggested by a Nato source, was for the US to spearhead the initial peace-keeping force – as in Somalia – before withdrawing after several months to be replaced with a much smaller, more "traditional" UN peace-keeping force, in which a large proportion of the troops would probably be from non-Nato countries. A number of Moslem and non-aligned countries, including Pakistan, Bangladesh, Malaysia, Indonesia, Jordan and Turkey have indicated that they might be prepared to contribute to the force.

But with the US government facing strong opposition in Congress against any agreement which would leave it endorsing an ethnic partition of Bosnia, Washington has pointedly refrained in recent days from making watertight commitments on the issue. Countries such as Britain and France, which have so far contributed the largest number of troops to Bosnia, appear reluctant to envisage any broader commitment.

Even if an agreement is reached, the deployment itself is unlikely to be speedy. Colonel Andrew Duncan, of the International Institute for Strategic Studies in London, said: "Generally it would take at least a month before they could set off. You've got to paint the vehicles white, find the blue hats, set up the communication network – all these details take time."



Nato officials yesterday attempted to maintain their pressure on the Bosnian Serbs by reiterating that the threat of air strikes in Bosnia remained a valid one, writes Gillian Tett.

Speaking in Brussels, officials said that they would expect the Serbs to show further "change of attitude" across Bosnia, before the threat of air strikes receded.

The warning came as UN officials in Sarajevo indicated that they were increasingly concerned about the plight of 35,000 Moslems trapped in Mostar, Bosnia's second city, by Croat and Serb besiegers.

In an apparent reference to Mostar, Mr Mike McCurry, US state department spokesman, earlier warned that Washington would be watching to see whether food and water supplies reached "not only Sarajevo, but other safe areas in the region", in judging whether to press ahead with air strikes.

Romania gives rail strikers ultimatum

By Virginia Marsh in Bucharest and agencies

THE Romanian prime minister, Mr Nicolae Vacaroiu, yesterday gave striking train drivers an ultimatum to get back to work or face instant dismissal and replacement by pensioners.

Mr Vacaroiu's announcement came at the end of an emergency meeting of the minority left-wing government which he called to take "exceptional measures" against the week-old pay strike.

The strikers have already ignored appeals by President Ion Iliescu and their own union to end the strike which is taking place in defiance of an 80-day supreme court ban on work stoppages.

President Iliescu chided the train drivers by saying they were already a privileged group of workers with an average wage higher than the country's university professors, surgeons and airline pilots. The cabinet claimed the stoppage had caused losses to the country equivalent to $317m (£212m).

A government statement said extra police and gendarmes would be posted to guard stations and depots in case of disturbances and would be used to remove strikers from railway property if necessary. "We urge retired train drivers who wish to help the country in this difficult moment to go to railway offices to register for work," the statement added.

The drivers are seeking a 20-30 per cent wage rise and new pay differentials.

Czech recession persists despite market reforms

By Patrick Blum in Prague

AFTER three years of steady market reforms, the Czech economy remains hamstrung by a recession which is proving more difficult to shake off than expected, though officials believe the worst may be over.

The finance minister, Mr Ivan Kocarnik, is confident the government's 1993 targets will be met, though with a more modest growth rate of 1 per cent and with inflation – aggravated by the introduction of value added tax in January – at around 17 per cent.

The Czech National Bank endorsed the minister's cautious optimism in a report showing private and public demand rising 12 per cent and 16 per cent respectively in the first half of the year compared with the period in 1992.

But analysts believe it will be difficult to turn around an economy labouring under a fourth consecutive year of declining output. Industrial production dropped 4 per cent and gross domestic product fell 1 per cent in the first six months compared with last year, when output already had declined sharply.

Efforts to build a market economy have been hampered by recession in western Europe, the collapse of traditional markets in the east, and the extra costs arising from the break-up of Czechoslovakia. Rising protectionism in western markets has been an additional handicap, though, apart from sensitive sectors such as steel, the overall effect on the Czech economy of restrictions on imports into the European Community have been exaggerated by politicians. The Czech Republic has a trade surplus with the EC.

Industry is running below capacity, but this is due not simply to lack of access to markets, but also to poor marketing skills and structures. Czech industry also needs time and capital to modernise and improve product quality.

The Industry Ministry recently warned that the lower quality and rising costs of Czech products – at a time when recession and devaluations made western European manufacturers more competitive – was causing a decline in local demand. Officials fear that big companies such as Volkswagen, which is currently going through fierce cost-cutting measures, could abandon plans to develop local supplier networks for its Skoda venture in the Czech Republic and turn to west European producers instead.

The staunchly free market government of the prime minister, Mr Vaclav Klaus, has rejected calls for a devaluation to make Czech products more competitive, saying companies must become more efficient. The government is concerned that inflation and rapidly rising wages could undermine prospects of recovery and frighten foreign investors, who invested more than $1bn (£600m) in the Czech territory in the three years before Czechoslovakia split.

The average industrial wage has risen by more than 22 per cent compared with a year ago – while productivity has stagnated – and Mr Klaus is determined to bring wages under control. He says that Germany's economic success was built on productivity growing faster than wages. Labour costs are still about a tenth of those in Germany, but competition for investment from other ex-communist countries is fierce. Hnwever, with unemployment at 148,600, or 2.8 per cent, the Klaus warning loses much of its impact. Prague has no unemployment. Laid-off workers are absorbed in the city's bustling private sector.

Extensive indehtedness is another problem. About a third of privatised companies are believed tn be technically bankrupt. Total inter-company deht is estimated at ahout Kcs 150bn (£3.48bn). Since a new bankruptcy law came into force in April there has been a steady trickle nf official bankruptcies, hnt its full effect has yet to be felt.

Yen eases against dollar

By Gordon Cramb in Tokyo

THE YEN fell against the dollar in Tokyo yesterday for the first time in more than a week after the new seven-party government signalled that it intended to formulate measures to deal with its advance.

An official said the strength of the yen – which traded within a fraction of Y100 to the dollar yesterday and is devastating exporters – would be high on the agenda when key cabinet ministers meet tomorrow to assess prospects for the country's emergence from economic slowdown.

Before the meeting, called last week, the coalition indicated only that short-, medium- and long-term measures could all be deployed to check the rise in the yen. The first of these would need to be implemented by autumn.

The Bank of Japan has been widely expected to cut its official discount rate next month by half a point to an historic low of 2 per cent. Business is also calling for an early deregulation of utility rates and a fiscal stimulus to the domestic economy.

Mr Morihiro Hosokawa, prime minister, who will return from holiday for the meeting, said from a mountain resort north-west of Tokyo that it must be ensured that calm returns to the currency market.

Mr Hosokawa's comments came as the yen traded in Tokyo at a morning high of Y100.40, but the rate to the US unit closed at Y101.55, down Y0.30 on the day as dealers moved to cover short positions.

The government has avoided indicating whether it has in prospect a package of public works spending and tax cuts of the order of the Y13,200bn (£88bn) unveiled by the previous Liberal Democratic party administration in April or the Y10,700bn meted out last August.

At the resort, Karuizawa, Mr Hosokawa yesterday met Mr Keiichi Miyazawa, his LDP predecessor, to discuss Japan-US trade friction and other issues.

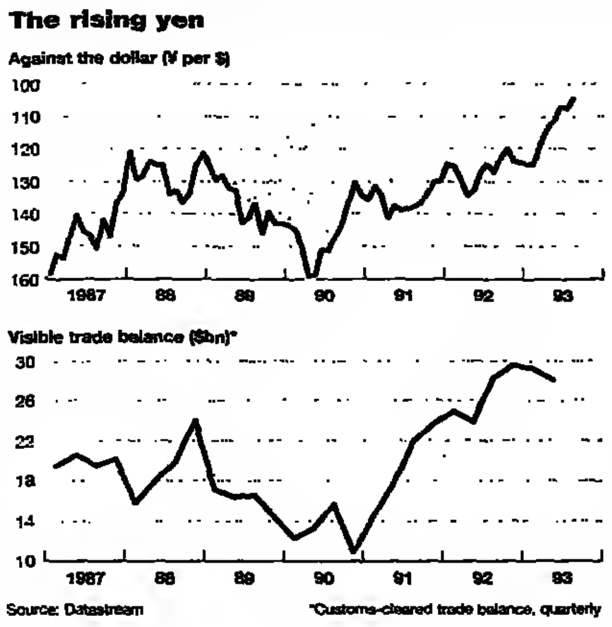
In Washington overnight Mr Lawrence Summers, US treasury undersecretary, urged Japan to take measures of this nature to help reduce its trade surplus.

An increase in net payments to the private sector by the government was the prime reason given by Bank of Japan officials yesterday for a 1.7 per cent rise in M2 money supply in July.

The year-on-year growth came for the fourth month in a row, and was sharper than a 1.4 per cent increase in June.

The construction ministry said June public works starts were up 1.5 per cent from 1992 but for the private sector were down 25.6 per cent.

At tomorrow's meeting ministers may disavow suggestions being made by officials in midyear that the economy had touched bottom.



Babangida says he offered to quit presidency

By Paul Adams in Abuja

PRESIDENT Ibrahim Babangida yesterday told Nigeria's National Assembly that he had offered to resign as president and chief of the armed forces, but refused to say whether he actually planned to leave office.

His speech, which had been keenly awaited, failed to remove the uncertainty about the country's political future that followed Gen Babangida's decision to annul the June 12 presidential election.

Hopes that he might use the address to outline his own plans and the government's future saw him instead telling Nigerians that they "should see the present political situation as a temporary problem and rethink our journey so far, and our future."

The president has said he will turn over power to an interim government made up of civilians and soldiers, but has not said whether he will step down on August 27, his long-promised deadline for democracy.

Speaking to a joint session of both houses of the National Assembly in Abuja, the president stressed the interim government was not an extension, but a replacement of the military regime. He said he would announce its composition "in the next few days".

Defending his position, he said that there was no alternative to the choice of a president for Nigeria by democratic election, but the interim government was "the most feasible" arrangement under the circumstances.

The president's address to the National Assembly was the first in eight months.

He said he had run the most documented administration in his country's history and would place before Nigerians a full account of his stewardship during the period of the interim government.

"I shall also be prepared and ready at the end of the interim government to pass on my experience in defence and security matters and any information relevant to the state," he said.

The political crisis has raised regional, religious and ethnic tensions in the country, triggering three days of riots that killed more than 100 people in Lagos last month and a general strike last week that shut the city down for three days.

Thousands of people have fled to their ethnic homelands in anticipation of widespread civil unrest.

Gen Babangida has repeatedly reneged on promises to return the nation to democracy.

Nigeria has been ruled by the military for the past decade and all but 10 of its 33 years of independence from Britain.

Editorial comment, Page 11

Babangida: speech failed to remove uncertainty

Japan's LDP fears for its cash supply

Gordon Cramb on company doubts over party donations

JAPAN'S Liberal Democratic party, out of office for the first time in 38 years, suddenly also finds itself seriously out of pocket.

The country's biggest companies began saying yesterday that they were halting contributions to the LDP and its parliamentary representatives after learning that the Keidanren, the leading business grouping, was backing efforts by the new ruling coalition to clean up politics.

The Keidanren is from next year to stop acting as a conduit of funds from its members to political parties, of which the most by far has gone to the LDP. Although federation officials said it would be up to companies whether they made donations directly, as many have done in addition, its move is influencing the private sector to scale these back too.

Mr Ryuzaburo Kaku, chairman of Canon, the camera and copier producer, said his company would halt all political donations. "Nothing will change unless companies drive the political world into a corner," he added. Officials at the country's big trading houses said they too were suspending contributions.

The Keidanren decision cuts off an annual line of funds to the LDP put at more than Y10bn (£66.7m). With other corporate and industry association pledges it forms the bulk of the party's declared central funding of nearly Y30bn a year.

Other corporate donations have gone to individual Diet members, most notoriously by construction companies seeking to ease the path to winning a contract or cut a way through a regulatory tangle.

Mr Gaishi Hiraiwa, Keidanren chairman, in explaining the initiative acknowledged that the public believed the donations had bought Keidanren members favours from the LDP during its years in government, although he denied this was the case.

His move, which comes as parliament prepares to discuss political reform next week, anticipates proposed measures to shift the basis of party funding in Japan towards donations by individual supporters plus assistance from central government funds.

The Japan New party of Mr Morihiro Hosokawa, the prime minister, says a checkoff system of voluntary payroll debits is being examined, and that it would possibly offer tax incentives for those who sign up – the justification being that the system would involve citizens more in the democratic process.

Its final form remains unclear, however, and is likely to be the subject of parliamentary haggling not only with the LDP, which will fight against any tough curbs on corporate funding, but also among the seven members of the coalition. One of its number, the Democratic Socialist party – which despite its name is a former close ally of the LDP – has also been a beneficiary of Keidanren funds, getting Y1bn a year.

"Underhand donations are bad, but it is not natural to stop legitimate donations," the DSP complained this week.

It and the Social Democratic party, which is more strictly socialist in nature and is the largest of the seven, are both suggesting that a new funding arrangement would need to be phased in over a few years. The SDP draws much of its funds from trade unions, and is willing to forego these only if it can be assured of an adequate replacement.

Mr Hosokawa has pledged to enact political reform by the end of the year, paving the way for fresh polls next summer under a changed electoral system. Whether an alternative stream of funds for candidates to fight that campaign will by then be running remains uncertain.

The LDP is additionally burdened with an estimated Y10bn in commercial bank borrowings used to help finance last month's campaign.

"Does it mean the LDP is no longer needed following the collapse of the cold war structure, even though the party has protected the free-market economy?" one unnamed party official was quoted as asking.

Each year from then, party leaders would go to the Keidanren with a budget. This the federation would apportion among its members on the basis of how business had been for their company and sector – from each according to its ability, to the LDP according to its needs.

Big business is likely to retain ties of a sort with the LDP, not least because the durability of the current coalition remains in doubt. But the severing of the party edifice from its financial plinth resounded in Tokyo yesterday like the toppling of a Soviet statue in an east European capital.

Gaishi Hiraiwa of the Keidanren: denied favours

Israeli-backed south Lebanon militia pounded by guerrillas

By Julian Ozanne in Jerusalem

ARAB guerrillas blasted positions of Israel's proxy militia in southern Lebanon drawing retaliatory fire yesterday, in the fiercest attack on the zone since last month's Israeli offensive.

The resurgence of violence came a day after Syria, the main power-broker in Lebanon, warned the Beirut government against taking independent action in southern Lebanon, such as the recent decision to deploy Lebanese soldiers in the area.

The pro-Iranian Hizbollah, which constitutes the backbone of the Lebanese "resistance" to the Israeli control of a self-declared security zone in southern Lebanon, has vowed to continue attacks despite an informal ceasefire agreement brokered last month by Mr Warren Christopher, US secretary of state.

Israel has said it will respond harshly to any new attacks on its forces.

A further escalation in violence is expected in the run-up to the eleventh round of Middle East peace talks, due in two weeks in Washington, which Hizbollah opposes.

Syria, which could exert its influence to curb Hizbollah attacks, has sent conflicting signals about peace with Israel and the role of Hizbollah, which it continues to use as leverage against the Jewish state.

Last month, during Mr Christopher's visit to the region, President Hafez al-Assad bolstered Israeli hopes of a breakthrough in bilateral peace talks by sending a series of messages to Jerusalem.

However, the Syrian leader has refused to completely halt Hizbollah's activities and has strongly criticised the Lebanese government's troop deployment, which was scaled down when Damascus expressed reservations.

Meanwhile, the Palestine Liberation Organisation said yesterday it would – for the first time – appoint some Palestinian negotiators from the Israeli-occupied territories to its highest decision-making bodies. The PLO, ruling out prospects for progress in the next peace talks, made the move as part of its continuing strategy to force Israel to open a direct dialogue with the organisation as the only way to unblock the peace process.

Associated Press

Residents in the southern suburbs of Manila use guide ropes to steer them through streets waist deep in water yesterday. Heavy rainfall caused by a tropical storm off the coast has continued to bring severe flooding to low-lying areas of the Philippine capital

Singapore starts telecom sell-off

By Kieran Cooke in Kuala Lumpur

THE SINGAPORE government has announced details of the partial privatisation of Singapore Telecom (ST), the state-owned telecommunications and postal service.

Mr Mah Bow Tan, the Singapore communications minister, said the government planned to float an initial 6 to 8 per cent of ST in October, with about half the first offering of shares being available through tender and open to foreign investors, and the rest allocated to Singapore citizens.

ST is one of Singapore's most successful and cash rich companies and the flotation of the company has been billed as the largest single privatisation so far in South-East Asia.

However there was some surprise among Singapore's financial community that a greater share of the company would not be available in the initial offering.

Mr Mah said a second public offering would be made within three years and eventually the government planned to sell off up to 25 per cent of ST.

"The government is being ultra cautious on this one," said one broker. "ST is a prime state asset. The government is determined to make sure nothing goes wrong."

When floated, it is estimated that ST will be worth between S$15bn and S$20bn (£6.36bn-£8.48bn).

The Singapore government is making efforts to increase public share ownership and has offered a number of incentives to people to buy ST shares.

Participants in Singapore's Central Provident Fund, a compulsory savings scheme, will be able to buy quantities of ST shares at a 45 per cent discount. There will also be bonus issues for those who hold on to their shares for an extended period.

New wealth tax for Pakistan

By Farhan Bokhari in Islamabad

THE PAKISTANI government is this week expected to announce a new wealth tax on landowners, and also a possible income tax on agriculture, according to senior officials.

The taxes would be seen as a breakthrough by the government of Mr Moeen Qureshi, the interim prime minister who was appointed last month.

Pakistan's influential landowners are exempt from paying income and wealth taxes, and former prime ministers Mr Nawaz Sharif and Ms Benazir Bhutto both failed to widen the tax net to include the landowners, for fear of a political backlash.

However, Mr Qureshi, a former vice-president of the World Bank, says that he does not intend to seek political office after the elections which are due in October.

The interim government's determined stance is also expected to contain tough new measures in an effort to curb expenditure.

These include cutting the number of federal ministries, and a drive to prevent tax evasion and improve the public sector's financial position by raising utility charges and recovering arrears.

Meanwhile, Pakistan's central bank this week raised its discount rate from 15 to 17 per cent in an effort to encourage savings.

The commercial banks have since followed suit, raising their interest rates by 2 per cent to 22 per cent.

The rises have jolted both money and stock markets, with some financial analysts and businesses expressing concern that they could depress rather than stabilise the economy.

Slower S Korean growth seen

By John Burton in Seoul

PRIVATE economic institutes yesterday predicted that South Korea's economic growth would slow to around 5 per cent this year as a result of the introduction of the real-name financial system last week.

The real-name system, which bans the use of aliases in financial transactions, is meant to reduce the size of the underground economy.

Four institutes, all associated with the country's large conglomerates, said the new system will further dampen corporate investment by creating business uncertainty.

It will also cause financial difficulties for small and medium businesses, which are dependent on the unofficial kerb market for credit. The kerb market is likely to be severely hurt by the new measure because it is largely funded by money held in false-name accounts.

The government in January set a growth target of 6 per cent for 1993 against last year's 4.7 per cent, the lowest growth rate in 12 years.

But the central bank last month estimated that GNP growth will reach 5.7 per cent because of declining corporate investments, which contracted by 7.3 per cent during the first half of 1993 due to sluggish demand both at home and abroad, excess production capacity and higher interest rates.

The central bank also blamed production disruptions caused by strikes at Hyundai, the nation's largest conglomerate, for slower growth.

Inflation is expected to accelerate to between 6 and 7 per cent from previous predictions of 5 to 5.5 per cent, according to the institutes.

This reflects growing private spending as consumers liquidate their false-name bank accounts and buy goods to avoid paying tax on their savings.

Seoul presses Israel on ties with Pyongyang

SOUTH KOREA has asked Israel to stop seeking an improvement in relations with North Korea until suspicions over Pyongyang's nuclear programme are resolved, writes John Burton.

The South Korean request followed a meeting between Israeli and North Korean officials last week in Beijing.

Israel has held talks with North Korea to persuade it to stop supplying Scud-C missiles to Syria and Iran. The tempo of contacts has increased following North Korea's successful test firing in May of its Rodong-I ballistic missile.

North Korea reportedly has agreed to sell the missile to Iran. The Rodong-I could reach Israel from western Iran.

Pyongyang proposed last October that Israel purchase a North Korean gold mine for $1bn, the amount of money it said it would lose if it stopped selling missiles to Israel's enemies. Israel rejected that offer, but the talks continue on other forms of economic co-operation.

NEWS IN BRIEF

Indonesian troops 'to leave E Timor'

INDONESIA yesterday said it would withdraw all combat forces from the territory of East Timor, leaving only troops engaged in development projects, Reuter reports from Jakarta.

The official Antara news agency quoted Maj Gen Theo Syafei, military commander for the region, as saying all combat forces would be pulled out by October. He said 10 territorial battalions would remain after the combat troop withdrawal in September and October.

Since Indonesia invaded the former Portuguese colony in 1975 it has fought a guerrilla war against a dwindling band of Fretilin rebels. But despite its apparent military success the government has come under heavy international attack for its role in the territory, 2,000km east of Jakarta.

Hussein changes voting rules

King Hussein yesterday announced controversial changes to Jordan's electoral law, laying the ground for the country's first multi-party elections since 1956, writes James Whittington from Amman. In a televised speech to the nation he said voting in the elections, due on November 8, would be based on one-person, one-vote.

The move has been seen as an attempt to curb the success of Moslem fundamentalists, who won 30 out of 80 seats at the last elections in 1989. It is likely to be strongly condemned by the Islamic Action Front, the political wing of the Moslem Brotherhood, which has threatened to boycott the elections if such a change takes effect.

Previously each voter cast more than one vote, depending on the number of seats in their constituency – up to eight in some cases.

Vietnam debts financed

Japan and France will each pay $50m towards settling Vietnam's $140m arrears to the International Monetary Fund (IMF), sources close to negotiations on the deal said yesterday in Hanoi, Reuter reports from Hanoi.

At least five other countries – Australia, Belgium, Canada, Germany and Sweden – are expected to supply the remaining $40m, the sources said.

Paying off the arrears will enable Vietnam – in line for up to $1bn in new multilateral funding to improve its infrastructure – to seek fresh IMF loans in return for agreement on a structural adjustment programme.

The seven countries and possibly others are due to attend a Vietnam support group conference in Paris in mid-September to sort out the repayments, expected to be made through a banking consortium led by the Banque Française du Commerce Exterieur.

The sources said the repayments would not be a gift, but a loan, amounting to a rescheduling of the arrears.

India to ease currency curbs

India is planning further liberalisation of currency regulations after successfully floating the rupee early this year, according to bankers, Reuter reports from Bombay.

Measures being considered by the Reserve Bank of India (RBI) include permitting cross-currency options and letting local banks invest in short-term deposits with banks overseas, they said.

"Dismantling of these restrictions could be the first steps towards the full convertibility of the Indian rupee on current account and later on capital account," a banker said.

With higher export inflows and growing foreign exchange reserves, bankers said, the RBI was expected to permit banks to invest their surplus deposits abroad in short-term deposits. Officials said an RBI announcement about this could be issued by the end of the month.

HK talks make no progress

Chinese and British negotiators yesterday ended the ninth round of talks on the future of Hong Kong, with no report of progress towards an agreement, AP reports from Beijing.

Sir Robin McLaren, British ambassador to China and London's chief negotiator in the talks, said several more rounds were planned before the Chinese and British foreign ministers met in late September at the UN General Assembly. The 10th round of talks is scheduled for 4 and 5 September, the official Xinhua News Agency reported.

There have been no indications of real progress since the talks began in April, and critics of China in Hong Kong have accused Beijing of trying to drag the discussions on indefinitely.

ABB in link with Russian carmaker

By Andrew Baxter

ASEA BROWN BOVERI, the Swiss-Swedish engineering group, has formed a joint venture with AvtoVAZ (Volga Auto Works), Russia's largest car manufacturer, to make fans in Russia for the domestic and industrial ventilation market.

The deal, announced yesterday, is another step in ABB's strategy to develop local production in Russia, which it views as a long-term opportunity. For AvtoVAZ, which makes Lada cars, the deal provides a use for spare capacity at its sprawling plant at Togliatti on the Volga River.

A new company, Lada-Fläkt, will manufacture ABB Fläkt designs of axial-flow fans, which are more efficient and effective than conventional fans.

ABB said axial-flow fans were a well-established product in western markets, but were not wall known in Russia. "This is why we feel we have a good chance to introduce the product," it said.

ABB will own 50 per cent of the uew company, with 10 per cent owned by AvtoVAZ and 40 per cent by Ladainvest. The latter includes stake holdings by Lada Holding Company, Lada Bank and the Lada workers, who will have a 16 per cent stake in the venture as part of the continuing privatisation process of AvtoVAZ.

ABB will provide technical know-how and special machinery. Lada will provide 3,000 sq metres of factory buildings and remaining plant and machinery for the fan factory, which will employ about 100 existing Lada workers.

ABB said production would begin at the beginning of next year, and annual turnover was expected to be $10m (£6.7m). The joint venture would supply the Russian home market and countries in the Commonwealth of Independent States with a new generation of axial-flow fan designs.

ABB confirmed last month that it is in talks over the future of a Russian defence and aero-engine factory. It would not give further details yesterday on thesa talks, which could result in a joint venture to produce power plant for the local market.

AvtoVAZ has already established contacts with western companies in the automotiva industry, but yesterday's deal is understood to be the first with a company outside the automotive industry.

In February it formed a vehicle parts joint venture with Federal-Mogul and Allied-Signal of the US, and Sogefi of Italy. General Motors of the US is supplying engine control systems to the Russian company, whose car plant is one of the largest in the world.

● ABB has confirmed it received a SFr322m (£144.7m) order in March for a power station from the Libyan state's Secretariat of Energy, Reuter reports from Zurich.

Caribbean pact with Cuba draws US fire

Canute James examines regional repercussions of plans for trade and technical co-operation

SEVERAL Central American states have entered a simmering diplomatic dispute between the US and the Caribbean Community (Caricom) over a recent trade and technical co-operation agreement between the community and Cuba.

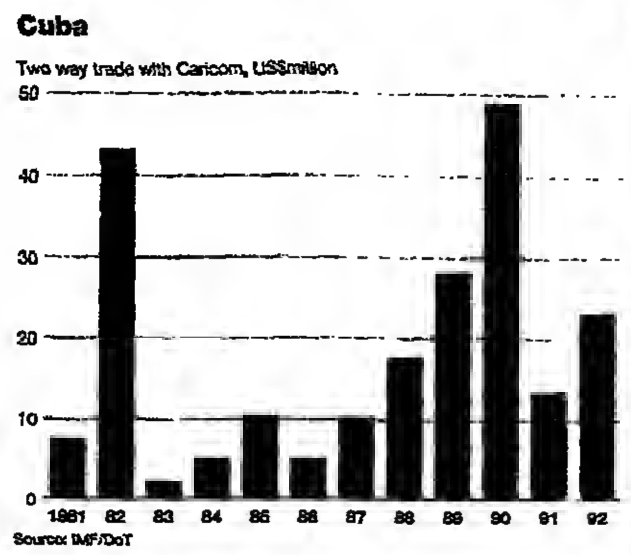
Amid indications of increasing US concern over the agreement, Central American diplomats in Washington told US congressmen their governments opposed the pact. They fear the region could suffer from any action taken by the US against the Caribbean countries.

Earlier this month a US House of Representatives foreign affairs subcommittee sent a letter to the governments of tha 13 members of Caricom condemning the Cuban agreement. It said that the pact could have adverse implications for future trade agreements between the Caribbean and the US, and that Caricom should rescind its decision.

The US government says the agreement does not oblige Cuba to improve its human rights record or move towards democratic government.

But leaders of Caricom – set up in 1973 and consisting of English-speaking countries in the Caribbean basin, Belize in Central America and Guyana in South America – have rejected the criticism. They say that the agreement is part of a programme to improve relations with all countries in the region, and that they have not asked other countries with which they have concluded similar pacts for commitments on human rights and democracy.

Discontent in Washington has been fuelled by revelations that the draft of the agreement



setting up a joint commission between Caricom and Cuba did contain references to human rights and democracy.

The scheduled signing of the pact in Havana in April was aborted when Cubans objected to the "political" nature of the draft. But at the annual summit in the Bahamas last month, Caricom's leaders agreed to the changes.

'The cold war's over. European countries negotiate with Cuba'

"Clearly we are disappointed that the agreement signed by Caricom with Cuba did not include any human rights or democracy conditions," Ms Donna Hrinak, deputy assistant secretary of state for inter-American affairs in the US State Department, said in a radio interview.

"I think it is particularly unfortunate as it is coming from Caribbean countries which have their own, very strong democratic traditions, and which have been supporting efforts to restore democracy in Haiti."

While some Caricom leaders, including Mr P J Patterson, the Jamaican prime minister, say that they understand the reaction, they are not moved by it.

"I think there are particular groups in the US which will have reservations, but we have to decide on our own affairs," Mr Patterson said. "The cold war is over. Countries in Europe are negotiating with Cuba. It is appropriate for us to have agreements with Cuba in the framework of a joint commission."

The community represents a market of 5.5m people and is attempting to create a customs union and a common market by next year. The setting up of the joint commission with Cuba to oversee co-operation in several areas, including trade and development of the region's sugar cane industry, follows several years of Cuban efforts – with little reward – to improve relations with its neighbours.

The commission is aimed at increasing the volume of trade between Cuba and Caricom, enhancing sugar cane yields, boosting co-operation in developing livestock and fisheries, and will combine research in biotechnology, particularly for agricultural and technical applications.

Caricom officials say the wording of the agreement was changed to make it consistent with that of similar agreements signed with countries such as Venezuela and Mexico, and one which is being negotiated with Colombia.

"People will need to have it explained to them why Caricom believed that Cuba should be, in effect, given a bye on democracy," said Ms Hrinak. US officials had earlier complained that Caricom was "rewarding" Cuba by improving relations without winning any commitment for political change.

"I do not expect the US to be happy with what Caricom has done," said Mr John Compton, the prime minister of St Lucia. "But the Caribbean is consistent in its position. Mexico and Canada never broke ties with Cuba, yet the US has embraced both of these countries warmly in the North American Free Trade Agreement."

The Cubans are clearly happy that the agreement with their neighbours has been concluded to their satisfaction.

Mr Lazaro Cabezas, Cuba's ambassador to the eastern Caribbean, said it represented a deepening of links between his country and others in the region.

"Cuba has been training doctors from Caricom countries and providing technical assistance to many," he said. "But the prospects for trade between Cuba and the Caricom states has increased significantly with this agreement on the joint commission."

Staunch defenders: John Compton (left) and P J Patterson are unmoved by US *Glyn Genin and David Gadd*

Siemens arm in turbine pact with Russia

By Quentin Peel in Bonn

KWU, the power engineering arm of Germany's Siemens industrial group, has signed a co-operation agreement with KTZ, Russia's largest industrial turbine manufacturer, for joint production and marketing both in Russia and on the world market.

At the same time Siemens/KWU will take up a 10 per cent shareholding in the Russian enterprise, which was privatised in January.

The deal was signed in Kaluga, 250km south of Moscow, where KTZ is based.

A spokesman for KWU said yesterday that the deal would give Siemens access for the first time to the Russian market for smaller industrial turbines. At the same time, KTZ would be able to provide components for Siemens turbines on the international market at competitive prices, and Siemens would help the Russian concern market its own products world-wide.

No price was put on the share purchase, although the nominal valne of the shares is Rbs62m. In addition, KWU will provide the Russian enterprise with machinery and know-how to overhaul its production plant.

The Russian manufacturer employs 9,200 workers, and has a market share in the former Soviet Union of around 50 per cent, KWU said. It is the largest supplier of turbines up to 35MW capacity.

KTZ, the Kalushsky Turbiny Zavod, is now 40 per cent owned by its workforce and 40 per cent by the Russian government. KWU has taken up half the remaining shares, with tha rest distributed amongst smaller shareholders.

Although KWU already has good connections in the big power station market in Russia - it signed a joint venture to build gas turbines in St Petersburg with the turbine manufacturer LMZ in recent weeks - the new deal is its first in the smaller industrial turbine market.

"We will get the opportunity, on the one hand, to offer our turbines in the future on the Russian market, which we believe has great potential," KWU said. "Apart from that, we will be able to bny components from KTZ for our turbines at favourabla prices, improving our competitiveness in international markets."

AT&T in travel data contract

By Andrew Adonis

AMERICAN Telephone and Telegraph, the largest US telecommunications operator, has secured a $50m (£33.5m) five-year contract to provide data and managed network services across Europe for Worldspan Travel Information Services.

Worldspan, owned by TWA and Delta of the US and Abacus, a Singapore-based computer reservations company, is a leading provider of automated airline ticket reservation systems.

Under the deal, a new network will interconnect Worldspan's European locations, and will be managed by AT&T Istel, AT&T's European-based network and information services provider.

The contract is one of the largest in Europe for managing a single company's data network services.

Worldspan said it was a step towards creating a global data network for its international operations.

Based in Atlanta, Worldspan provides more than 12,000 travel agencies worldwide with access to reservations systems of airlines and others.

Earlier this year it signed a separate $100m contract with AT&T to consolidate its US-based travel agency customers and offices on to a single nationwide network.

Germans clinch train deal

A GERMAN consortium has fought off strong competition from French bidders to win a DM2.2bn (£880m) contract to provide the German railway system with a new generation of high-speed trains, writes David Waller in Frankfurt.

The consortium – consisting of Siemens, the Munich-based electricals and electronics company, and AEG, the electronics division of Daimler-Benz – will deliver 60 of the new trains to the German Bundesbahn between mid-1996 and the and of 1998.

The new trains will run at speeds of 280km/hour.

The German companies will work with Deutsche Waggonbau Aktiengesellschaft, the east German manufacturer of railway coaches.

Australia and Taiwan sign pacts

TAIWAN and Australia signed two pacts yesterday to promote investment and technology transfer, the Economics Ministry said, Reuter reports from Taipei. The agreements between the Australia Commerce and Industry Office and two Taiwanese government agencies strengthen legal protection for Australian trademarks in Taiwan, the island's Vice Economics Minister, Hsu Ke-sheng, said.

They also allow investors from Australia and Taiwan to receive the full protection of laws in the bost country, and to receive assistance from local investment institutions, Mr Hsu said in a statement. "This is the first time that (Taiwan) has signed an agreement on the protection of industrial property with a foreign country on an equal and mutually beneficial basis," he said.

Australia and Taiwan do not have diplomatic relations because Canberra awitched recognition to China in 1972.

But Australian investment in Taiwan totals about US$156m (£105m) and recorded Taiwanese investment in Australia is about $17m, according to Taiwan.

Himont postpones polypropylene plant

By Haig Simonian in Milan

HIMONT, tbe US-based chemicals company controlled by Italy's Ferruzzi group, has postponed the start-up of its latest polypropylene plant, believed to hava cost more than $50m (£33.5m), because of the recession.

The Brindisi facility in southern Italy has the capacity to produce 180,000 tonnes of polypropylene a year, making it one of the largest of its kind in Europe.

Originally, Himont expected that the new plant and an earlier 160,000 tonne parallel facility in Brindisi would meet about 10 per cent of estimated demand in the European Community for polypropylene.

However, leading polypropylene producers hava been severely affected by the recession, notably in the motor vehicle industry, which is one of their main customers. The commissioning of new plant has exacerbated existing overcapacity, while manufacturers have responded with cut-throat price competition.

Ferruzzi gave no indication when production at the new unit would begin. The plant will be moth-balled for at least the rest of this year, with production being put off "in anticipation of more favourable market conditons," it said.

NEWS: THE AMERICAS

California rethinks unitary tax system

By George Graham in Washington

CALIFORNIA'S legislature will today open discussions on changes to its unitary tax law that might help head off a threat of retaliation from the UK. But already British MPs are warning the proposed changes do not go far enough.

The dispute arises from California's system of worldwide unitary taxation - the subject of a long-running legal case involving Barclays Bank, the British clearing bank - under which companies may be taxed on a proportion of their worldwide revenues, instead of only on revenues earned in the state, as is the case in most jurisdictions.

Bowing to pressure from the federal government, California has already made the unitary system optional.

But foreign companies complain the Californian tax authorities charge a fee if they choose the alternative "water's edge" assessment system, which includes only activities within the US, and reserve the right to impose a unitary assessment.

Backed tacitly by the Clinton administration in Washington, UK officials have been urging California to move towards a mandatory water's edge system.

This system was backed by Mr Kenneth Clarke, the UK chancellor of the exchequer, in a recent letter to Sir Michael Grylls, the Conservative MP who has been leading the British parliamentary battle against unitary taxation.

Mandatory water's edge would in fact raise more money for the state - perhaps as much as $175m (£117.4m) a year - but for this reason has been hotly opposed by Californian companies which benefit from the unitary assessment.

Administration officials hope that if California can settle the dispute with the UK, they will not have to take a position on the Barclays case.

The Supreme Court has asked for the administration's views on whether it should hear the case, but President Bill Clinton would prefer neither to argue openly against the UK nor to side with the UK against California in breach of a written campaign promise to Mr Brad Sherman, a member of the California franchise tax board.

Although the bill under formal consideration by the Californian Senate finance committee today proposes mandatory water's edge, its author, Senator Alfred Alquist, believes that this would not pass the legislature.

He intends to modify the bill to address only some specific foreign complaints, including the compliance costs and the tax authorities' ability to overrule a choice of water's edge assessment.

Officials in Sacramento believe the legislature may also eliminate the fee levied on companies which make the water's edge choice. If it does so, it would have to come up with perhaps $70m in additional revenues to offset the lost money.

Sir Michael Grylls, however, has written to Mr Alquist to warn him that the UK would not be satisfied with only limited legislation.

"The UK's resolve on retaliation, in the absence of a satisfactory solution, remains undiminished and should not be underestimated," he wrote yesterday.

British retaliation, involving the withdrawal of a tax credit granted to US companies operating in the UK, is due to take effect at the beginning of next year if the dispute is not settled.

US may brand Sudan as terrorist state

MR Warren Christopher, US secretary of state, is preparing to place Sudan on the US list of states accused of sponsoring terrorism, officials said yesterday, Reuter reports from Washington. An announcement could come as soon as today, they said.

The US has been increasingly concerned about Sudan's ties to Iran and radical groups and this is to be the basis of Mr Christopher's decision, the officials said.

But the determination also comes after an ABC Television report on Monday that US intelligence officials believe top government officials of Sudan were involved in a plot earlier this year to blow up the United Nations, FBI headquarters and two tunnels in New York.

Citing intelligence sources, ABC television news said federal agents, after monitoring Sudan's mission to the UN for two months and from other evidence, felt the government of Sudan was involved in the alleged plot last June.

The ABC report named two Sudanese intelligence officers as the link between Sudan and the alleged plot.

The report said US officials believed the men helped five other Sudanese residents of the US who were indicted in the bombing conspiracy.

There is no evidence that Sudan's ambassador to the UN, Mr Ahmed Suliman, was involved, the ABC report said.

Mr Suliman in June denied that the mission had anything to do with the planned bombings in New York, and said that terrorism was "alien" to his country.

Mr Christopher was "expected to make an announcement about his decision within a matter of days," a State Department official said. Another official said Mr Christopher was "preparing to conduct the necessary notification of foreign governments and members of Congress" that Sudan has been placed on the terrorism list.

Dole attacks Bosnia moves as 'invitation to dictators'

By George Graham

SENATOR Robert Dole, leader of the minority Republicans in the US Senate and a possible opponent of President Bill Clinton in the 1996 presidential election, yesterday delivered a fierce attack on the UN and its role in the Bosnian conflict.

He criticised the terms of the Bosnian peace settlement now being negotiated in Geneva, calling it - in reference to Serbian President Slobodan Milosevic - "an invitation to the brutal dictator in Belgrade" to continue oppressing his own people and to launch a campaign of ethnic cleansing against the Albanian population in Kosovo.

"It's also going to be an invitation to other dictators or would-be aggressors lurking in the shadows of the former Soviet Union. How many thugs around the world will RSVP to that invitation? How many of those thugs have access to chemical or nuclear weapons?" he said at a meeting of the National Governors' Association in Oklahoma.

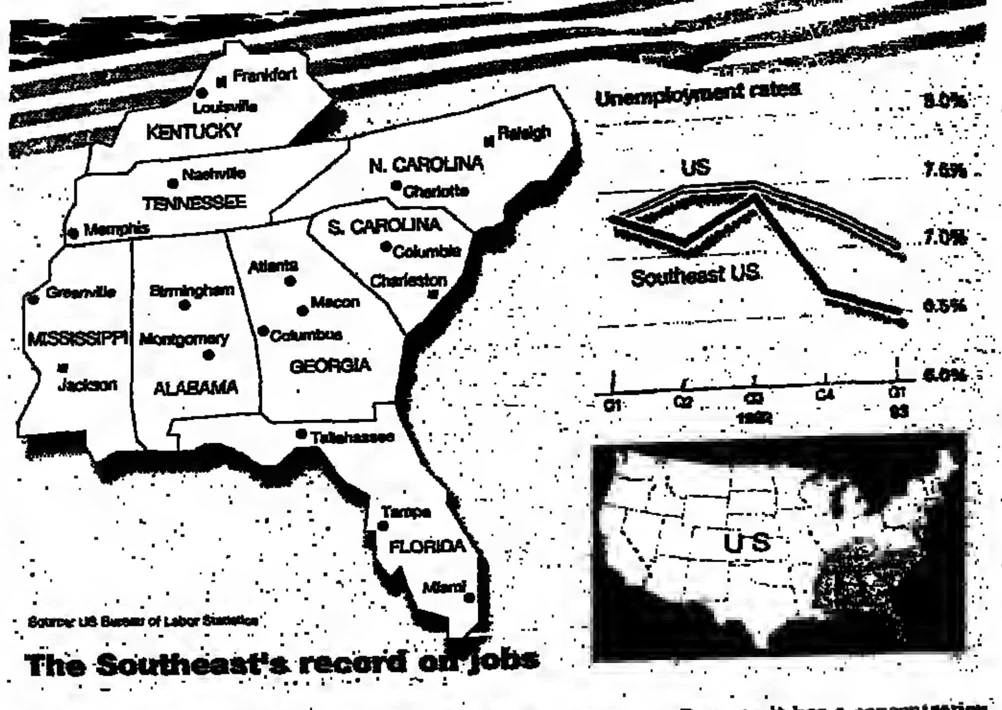
Mr Dole opposed the UN embargo on arms shipments to the former Yugoslavia. Many have argued this leaves Bosnia at a disadvantage to Serbia, which has access to the arms of the former Yugoslav federal army. "Bosnia is being gobbled up defenceless is because of an arms embargo that violates the very principles of the UN."

Some of Mr Dole's harshest criticism, however, was reserved for the UN and Mr Boutros Boutros Ghali, its secretary-general, whom the US senator accused of being more concerned about who was in charge than about getting things done.

"The UN does not stand for the same principles as the US... The last time I checked, the American people did not elect Boutros Boutros Ghali to run US foreign policy."

South-east leads US recovery

Barbara Harrison on the advantages of a diverse economic base



The Southeast's record on jobs

WHILE Washington frets about lagging job creation in the nation's glacially paced economic recovery, the South-east of the US is looking rosy on this score: the region is leading the country in job growth and its economy is rebounding faster than most others.

According to the Bureau of Labor Statistics, the region's eight states gained 30 per cent of all the 516,000 new jobs generated nationally during the first quarter, the latest period analysed. The region also accounted for 75 per cent of 28,000 new manufacturing jobs added nationally in the period.

The South-east's employment gains earlier this year were not just a fortuitous blip. The trend appeared to continue through the second quarter, according to Mr Donald Ratajczak, chief of the economic forecasting centre at Georgia State University. He said that, unlike the nation, which struggled at an overall economic growth rate of only 1.6 per cent during the second quarter, the South-east expanded at about 3 per cent.

The South-east's comparative prosperity is a feature of the unusually slow and very uneven national recovery, according to the Conference Board, the New York-based business think-tank. The organisation says that, unlike past, more robust recoveries, this one lacks a federal fiscal stimulus that helps the economy across the board. Consequently, "divergent regional trends are dominating the economic landscape."

The sharp differences in regional fortunes has led many to ask why some areas are prospering so disproportionately. Aside from the South-east, the Rocky Mountain states and the Mid-west have also fared relatively well since the recession of 1990-1991.

In the South-east, where job growth is strongest, analysts say that a diverse economic base is what has helped most. The region has a substantial amount of manufacturing in auto assembly, transportation equipment, building materials, home furnishings, textiles, chemicals, and food processing. It has also been less dependent on military contracting than other areas being hit with defence industry shrinkage.

The construction of BMW'a new plant in western South Carolina is a boon in that state. Rising US car and truck sales are benefiting Japan's Nissan and GM's Saturn plants in Tennessee and Daimler Benz's truck assembly operation in North Carolina, which also appears poised to win the contest for Daimler Benz's new US car plant. The company, which is expected to make an announcement about its site selection by the end of this year, has been buying up land options near its truck plant.

The region, especially the Carolinas, has been a magnet for foreign manufacturing investment because of relatively low production costs and wages. Service employment, up strongly, is also fairly well spread among banking, insurance, retail, communications, transportation, biotechnology and other sectors.

But the region's exceptional growth is in large measure being fuelled by construction. According to Mr Thomas Cunningham, chief regional economist at the Atlanta Federal Reserve, it has a concentration of the industries that benefit most from the early stages of recovery. The region's building materials, textiles, furniture and white goods sectors have all been boosted by a nationwide recuperation of the housing market.

The South has in fact lead the surge in new home buying, thanks partly to migration from less prosperous regions. In addition, rebuilding after Hurricane Andrew last year in Florida has helped lift regional construction businesses.

Mr Cunningham also points out that, while the South-east is faring better than most other areas on job growth, the national figures on employment gains are being brought down by large job losses in just five big states, California, New Jersey, Connecticut, Massachusetts and New York.

Nonetheless, attitudes in the South-east also seems distinct from the rest of the nation. Consumer spending has been outpacing the nation as a whole. Even the political mindset appears to be a factor: "You don't have the yo-yo effect of consumers in other parts of the country," says Mr Ratajczak. "We were never that thrilled with Clinton's victory or chagrined with his policy."

Housing starts fall by 2.7%

THE US housing market is continuing to move sideways despite the lowest mortgage rates in two decades, figures indicated yesterday, writes Michael Prowse in Washington.

The Commerce Department said housing starts fell 2.7 per cent between June and July to a seasonally adjusted annual rate of 1.21m. In the first seven months of the year, starts were only 2.3 per cent higher than in the same period last year. The market's relative weakness may reflect consumers' reluctance to make long-term financial commitments because of doubts about job security.

The weakness last month was concentrated in the Midwest, where building activity was adversely affected by flooding, and in California where economic recovery has been slow to take hold.

Starts rose modestly in the northeast and south. Building permits were more encouraging, rising 3 per cent last month and by 4 per cent in the first seven months relative to the same period last year.

CONTRACTS & TENDERS

LEGAL NOTICES

IN THE MATTER OF PROLOT COMPANY LIMITED AND IN THE MATTER OF THE CYPRUS COMPANIES LAW CAP 113

Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 18th day of September 1993 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Antony Haji Rousos FCCA of Julia House, 3 Themistocles Dervis Street, PO Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, are debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 18th day of August 1993
A Haji Roussos
Liquidator

NOTICE OF CREDITORS' MEETING UNDER S.48(2)
SPAXE PROPERTIES LIMITED

Notice is hereby given that a meeting of the unsecured creditors of the above company will be held pursuant to section 48(2) of the Insolvency Act 1986 at 20 Farringdon Street, London, EC4A 4PP on 31 August 1993 at 11.30am for the purpose of receiving the report on the Administrative Receivers and, if thought fit, appointing a creditors' committee. A creditor will be entitled to vote only if a written statement of claim is submitted to me at the above address by 12 noon on 27 August 1993 and if the claim is admitted for voting purposes. Any proxies that are intended to be used must be submitted to me before the meeting. A creditor whose claim is wholly secured is not entitled to attend or be represented at the meeting.

Date 13 August 1993
R H Oldfield
Joint Administrative Receiver

MOTORS

PERSONAL

● Improved public sector deficit boosts sterling ● Equities and government bond prices at record highs

Cautious reception for lower state debt figures

By Peter Norman, Economics Editor

BRITAIN'S public sector deficit was a lower-than-expected £1.55bn in July, but neither the UK Treasury nor Downing Street were ready yesterday to revise downwards the government's forecast of a £50bn public sector borrowing requirement for the current financial year.

Yesterday's official borrowing figures helped to boost sterling and lift British government bond prices and UK equities to record highs as investors reasoned that the government might now be under less pressure to raise taxes in its November Budget.

A Treasury spokesman said it was still too soon in the financial year to think of revising down the deficit forecast. Downing Street officials cautioned against treating the July PSBR figure as a sign that there was less pressure on Mr Kenneth Clarke, chancellor, to cut spending or raise new revenues.

While several City analysts said they expected the 1993-94 deficit would be less than the government's forecast, they cautioned against euphoria. "The data so far this year do not yet point to a sizeable PSBR undershoot," said Mr Michael Saunders, UK economist at Salomon Brothers International. He said he was sticking to his forecast of a £48.5bn PSBR for this financial year.

Mr David Coleman, treasury adviser at Canadian Imperial Bank of Commerce, said the figures revealed a "major improvement" in tax revenues but saw no reason to change his own forecast of £45bn.

Financial markets had been expecting a reduced deficit of about £1.9bn last month following June's £3.97bn shortfall between government expenditure and revenues. The July 1992 PSBR amounted to £656m.

July is traditionally a strong month for government tax receipts because of payments by the self-employed and of advance corporation tax. Government income was also boosted last month by £1.8bn in proceeds from the BT3 share sale, which unloaded the government's last tranche of British Telecom, the former state concern.

But figures released yesterday by the Treasury showed that government cash receipts were up only 4 per cent to £66.8bn in the first four months of 1993-94 compared with the same period last year. Cash outlays were up 7.5 per cent to £81bn. The Treasury reported that the cumulative PSBR in the first four months of this financial year reached £14.9bn compared with £11.4bn in the April to July period of 1992. Excluding privatisation proceeds, the PSBR for April to July rose to £18.2bn compared with £14.8bn in the same period of last year.

The pound closed in London at DM2.5235 yesterday, a gain of 2 pfennigs on the day. Part of its strength reflected profit taking in the D-mark and expectations of favourable news about UK retail price inflation today. The FT-SE 100 index closed at 3,025, up 16.7.

Labour plans payroll levy to pay for training

By Kevin Brown, Political Correspondent

A FUTURE Labour party government would impose a levy of up to 1.5 per cent of payroll costs on companies which failed to comply with training guidelines, Mr Gordon Brown, the opposition party's chief finance spokesman, said yesterday.

The levy, intended to help pay for a major upgrading of government training programmes, compares with earlier plans for a maximum levy of 0.5 per cent on all companies.

The revised proposal emerged in a paper produced for Labour's annual conference next month, in which Mr Brown further distances the party from its 1992 election manifesto pledges to redistribute wealth.

Promising to cut taxes "if I can", Mr Brown confirmed the Labour leadership's determination to discard the party's traditional image. "Labour is not against wealth, nor will we seek to penalise it," he said.

Mr Brown said the revised training proposals were intended to encourage companies to develop their own training programmes, rather than rely on the government.

"There are a large number of companies which are failing to make the training investment which is necessary. That is not only harming the country as a whole, it is harming those companies which are prepared to make the investment because they are finding that their trained workers are being poached," he said.

The revised proposal is based on similar schemes operating overseas in countries such as France, Australia and New Zealand. Labour officials are believed to have concluded that the amount raised through the original scheme would have been insufficient to finance a worthwhile training programme.

The proposal was dismissed as a "distraction" by the Confederation of British Industry (CBI), which said spending on training had been rising since 1988, despite the recession.

"Government regulation of this kind would just lead to a reclassification of existing activities as companies tried to comply with the rules," said Mr Tony Webb, CBI training director.

Mr Brown presented the training levy as a key component of Labour's revised economic strategy, unveiled last month, which focuses on increasing investment and competition.

Other initiatives include widening the provision of banking services by opening up the clearing system to more financial institutions, and an "industrial university" to promote reskilling.

Gas chief welcomes 10-year working framework

Deborah Hargreaves examines the main recommendations of the monopolies probe into British Gas

CEDRIC Brown, chief executive of British Gas, was convinced yesterday that his decision to submit the company to a wide-ranging inquiry by the Monopolies and Mergers Commission was the right one, in spite of the Commission's proposal that British Gas sell off its trading activities.

"We now have the MMC setting out a framework for the next 10 years. A year ago we didn't know what would happen in the next 6 months and we had no way to develop and plan our business," he said.

Mr Brown will be involved in intense negotiations with the government in coming months, trying to persuade Mr Michael Heseltine, trade and industry secretary, to adopt all the recommendations in the report and not to go ahead with a piecemeal implementation of the plan.

The Commission's main proposals include:

● Divestment of British Gas's trading arm by end of March 1997.

● Reducing British Gas's monopoly to customers using less than 1,500 therms of gas – most domestic customers – on March 31 1997, with removal of the entire monopoly three to five years later.

● Setting a rate of return for its pipelines operations of 4 per cent to 4.5 per cent on assets.

● Reducing British Gas's pricing formula for household customers to four percentage points below the rate of inflation from the current five points.

The Commission's conclusions vindicated many of the views of the industry regulator, Ofgas. But British Gas said the report was fair and provided the company with some limited financial relief.

British Gas does not believe it is necessary to split up the company in order to encourage the development of further competition. But Mr Brown regards the Commission's proposals for selling its trading arm as the best option for its shareholders under the circumstances.

The cost of divesting pipelines – arising from loss of economies of scale and duplication of certain functions – will be about £130m, £80m more than British Gas's current plans for separating its transport and trading divisions.

The Commission recommended that consumers bear this cost since the development of competition will benefit them in the long run. British Gas believes shareholders should not carry the cost of splitting up the company.

Ofgas, however, says shareholders who have benefited from higher prices under British Gas's monopoly should pay for divestment.

British Gas, meanwhile, has warned of higher prices for some customers – particularly those using less gas – in a more competitive market. The company says a separate pipelines company could have to charge customers living furthest away from gas terminals more for their supply.

Ofgas calls these fears "alarmist". Mr Greg McGregor, director of competition and tariffs said he believed price rises to household customers could be minimised.

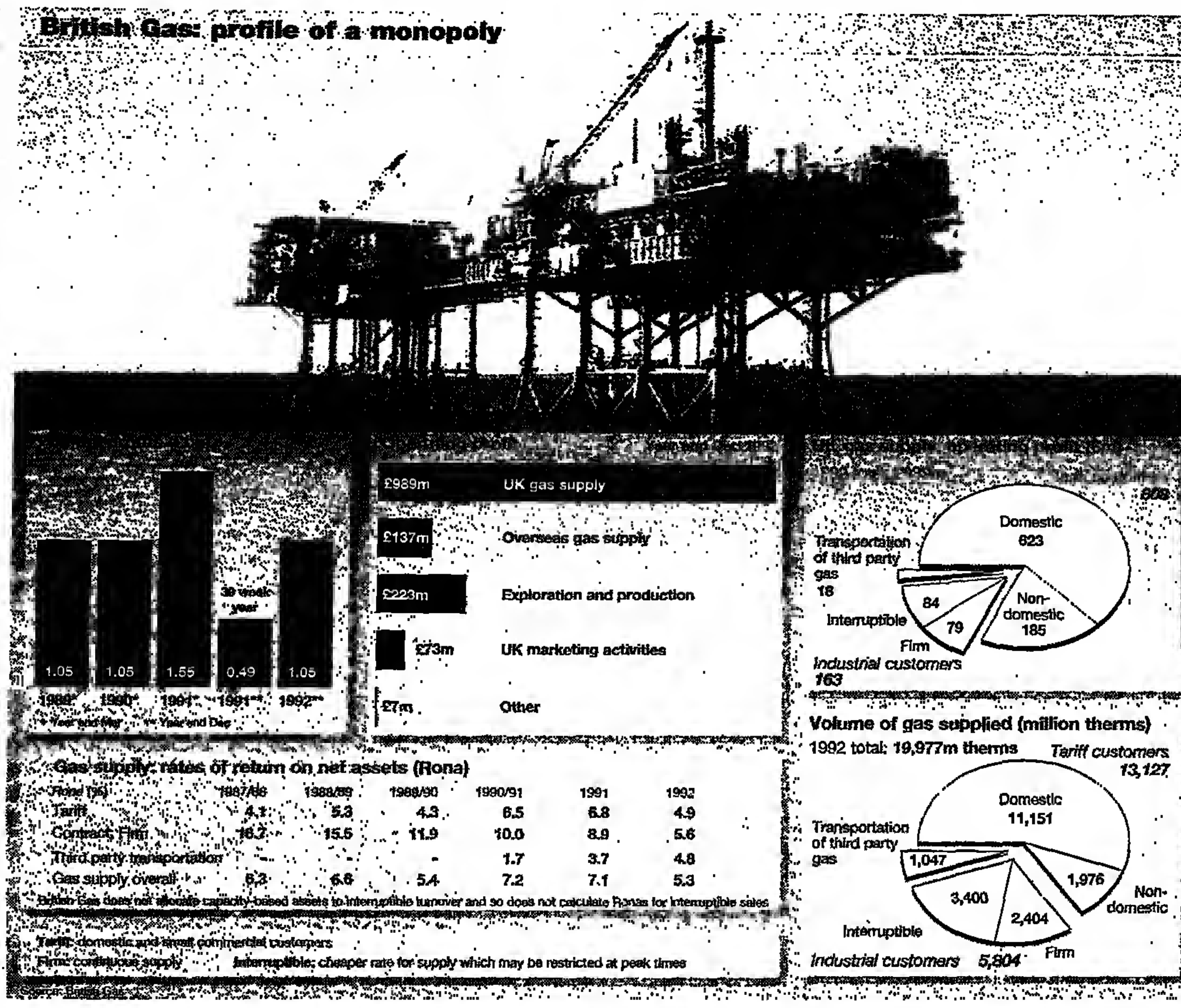
The Commission has recommended adjusting the formula governing domestic prices from next year so that consumers' gas prices should fall more slowly than would have been the case. This will give British Gas additional revenues of £300m in the period from 1994 to 1997 before more competition is introduced.

Competition will be introduced in a phased way. The Commission recommended competition be extended – on March 31 1997 – to customers using more than 1,500 therms. The limit is currently 2,500 therms. This change will add another 500,000 customers to the competitive market – 100,000 industrial and commercial consumers and 400,000 domestic.

The Commission also recognised that British Gas's trading arm may have to raise its prices when it is sold, in order to make a profit. This has angered consumer groups which say households will pay the cost of transition in the gas industry.

Mr Brown said he would have liked the Monopolies Commission to have provided answers to all the questions about opening up the market. "There are a whole range of major issues that need to be resolved, but a whole raft of them await political decisions which may not be as clear cut as this report."

Editorial Comment, Page 11
Lex, Page 12
London Shares, Page 21



Gas supply: rates of return on net assets (Rona)

Rona (%)	1987/88	1988/89	1989/90	1990/91	1991	1992
Tariff	4.1	5.3	4.3	6.5	6.8	4.9
Contract Firm	16.2	15.5	11.9	10.0	8.9	5.8
Third party transportation	-	-	-	1.7	3.7	4.8
Gas supply overall	6.3	6.6	5.4	7.2	7.1	5.3

British Gas does not allocate capacity-based assets to interruptible turnover and so does not calculate Ronas for interruptible sales

Tariff: domestic and small commercial customers
Firm: continuous supply   Interruptible: cheaper rate for supply which may be restricted at peak times

Source: British Gas

Package tour companies intensify price war

By Christopher Price

THE PACKAGE holiday war intensified yesterday as more travel agents and tour operators announced price cuts for the 1994 season.

Thomson, the UK's biggest tour operator, announced cuts worth £60m from next season's holidays.

Mr Charles Newbold, Thomson managing director, warned that further price cuts could follow if the group was undercut by its big rivals, Airtours and Owners Abroad.

"Wa will do whatever it takea to maintain market share. I would not say I would be happy with a price war hut you can't stay out of it," he said. Travel agent Thomas Cook had raised the spectre of a price war on Monday, unveiling a 10 per cent discount on all holidays in 1994.

That was immediately matched by Pickfords and Hogg Robinson and yesterday AT Mays, the UK's largest independent travel agent chain, said it too would be offering 10 per cent discounts.

Lunn Poly, which is owned by Thomson, said it would also be announcing discounts at the launch of its new season brochure tomorrow. "We will not be beaten for price," warned a spokeswoman.

The biggest discounts are being offered to consumers booking early. Thomson saw its market share in the lucrative pre-Christmas booking period dip sharply for the 1993 season. This year it planned to increase its share of the pre-Christmas market from 33 to 50 per cent.

Like Thomas Cook, Thomson is forecasting a big increase in tourists travelling to Spain and the Balearic Islands. Overall, Thomson forecasts that the package holiday market should return to its 1988 level of around 10m holidaymakers, against this year's 8.5m.

Profile of director with a direct line to the boss

Roland Rudd asks Simon Weinstock, a GEC director, about the risks in following his father's example

AT THE first mention of his father Mr Simon Weinstock pulls his shoulders back, sits upright in his chair and says: "If my father was not here I would not be here. I have to be quite open about that."

By his own admission, the 41-year-old scion has no obvious qualifications to be a director of General Electric Company with responsibility for acquisitions and GEC Marconi, the group's defence arm.

He is qualified neither as an accountant nor as an industrial manager. But he does have the ear of his father, Lord Weinstock, GEC's managing director.

It is this, more than anything else, which guarantees him a unique position on the board of one of Britain's biggest companies, with annual sales of £9.4bn. As a fellow director explains: "Arnold does not move without consulting Simon first."

When he joined the board six years ago he was described by some of his colleagues as at times petulant and anxious not to be continually thought of as the son of Lord Weinstock. Now they say he has become more relaxed, confident and delighted to be seen as the son of Lord Weinstock.

He dismisses accusations of nepotism as ridiculous. "GEC is not a family business, has never been run on those lines and never will be," he says.

The advantages, however, are numerous. Perhaps most important, he knows how to dodge the pitfalls of working for a managing director who can have an intimidating, even threatening, presence.

This gives him an edge over other GEC senior executives, who often ask him to intervene in their dealings with Lord Weinstock. "It depends on the situation, but it can be daunting for some people to deal with my father alone. I will then get involved."

He says he has an excellent relationship with his father. They share many interests such as a love of music, with regularly visiting the Salzburg festival and La Scala Opera House in Milan, and a passion for horse racing.

Perhaps most surprising is Mr Weinstock's contention that his father never put any pressure on him to join the company. After working at S.G. Warburg, the merchant bank, first in advising the government on rescheduling debt and then on the investment side, he thought it was time for a change.

"With a certain amount of trepidation I decided to work for GEC. My father was pleased but he put no pressure on me to join the company."

Lord Weinstock may not have pressed his son to join him, but he appeared keen that he should succeed him three years after Mr Weinstock was appointed to the board as commercial director in 1987.

There is little doubt that Mr Weinstock would like to take over from his father, although with one condition: the institutional investors would have to want him for the job.

"I would not want to do it unless I could do it and the senior management and shareholders wanted me to do it."

Mr Weinstock, regarded by many in GEC as the leading internal candidate, warns of the difficulties of bringing in an outsider. "It would be hard for someone to come from another company to lead this one, but not impossible. Companies generally prefer to promote from within."

He is backed in this view by some key executive directors. One says: "The boss's son imposes himself more naturally." Sir Ronald Grierson, a former vice-chairman of GEC who remains on the board of GEC International, one of the group's subsidiaries, says: "There is no prima facie reason to assume that dynastic succession is worse than any other kind of succession. I even happen to believe that, other things being relatively equal, continuation of management by the founder's family can be a good recipe."

Yet a number of the group's shareholders say there is no question of Mr Weinstock succeeding his father. A senior fund manager says: "It is unlikely that Simon Weinstock will emerge as his father's successor. It would look like a massive piece of nepotism. There is an inbuilt inclination from investors not to want him however good he is."

Another says: "No one should try and stop Arnold's ambition for his son to come boss. But I am not sure his father would want him sacrificed on the altar of GEC."

Mr Weinstock, sensitive to both views, alludes to the possibility that the top job could be split when his father, who is 69, decides to retire.

Since 1989 GEC has formed joint ventures with Alsthom of France in power engineering, Siemens of Germany in telecommunications and General Electric of the US in consumer appliances. This, says Mr Weinstock, has transformed GEC into a different company from the one his father has been running.

"A large chunk of our business is now in joint ventures and there will probably be more of this than less. In the long term the management structure may be different. We need to be flexible about it."

But Mr Weinstock is in no hurry to take over at GEC. He says while his father remains at the helm he is content with his job on the board, and he sleeps better at night knowing that he is making a contribution to the company in which he holds 31m shares.

Euro-sceptics to continue campaigning

TORY Euro-sceptics are to set up a fully fledged secretariat as the next stage in their battle to shape the government's European policy to their liking, writes David Owen.

The move reflects their determination to continue campaigning on European issues even though Britain has ratified the Maastricht treaty.

Well-marshalled opposition to the Maastricht bill during its tortuous passage through parliament last month forced prime minister John Major to stake his government's future on a confidence motion after a humiliating defeat over the treaty's social chapter.

The new body, expected to be known as the European Foundation, is likely to concentrate on utilising the welter of EC-related data the anti-Maastricht campaign has collected. It is expected to employ a small full-time staff.

The Euro-sceptic camp has been keen to emphasise that its ongoing campaign would include continuing to take a stand on fresh Europe-related legislation. A new flashpoint has been threatened when the government brings forward an EC finance bill in November.

The proposed legislation will implement the agreement which was reached at the Edinburgh summit increasing national governments' contributions to the Commission. Though ministers have described it as a good deal, they have conceded it will probably be opposed by some hardcore Tory rebels.

Britain in brief

Strike action threatens mail service

Further disruption is threatening Britain's postal services despite yesterday's settlement of the two-week long dispute by Royal Mail staff in Cardiff.

A strike ballot of 1,100 postal workers on Merseyside is being prepared in protest at a threat by local management to go ahead next month with cuts in full-time delivery jobs as part of a plan to reduce costs by 5 per cent.

The union fears this will lead to a loss of a quarter of existing full-time jobs at Merseyside's 32 postal delivery offices if the Royal Mail introduces part-time staff to carry out second deliveries.

This is the latest sign of unrest among staff as the Royal Mail presses ahead with its quality of service scheme designed to increase efficiency in the face of competition.

An internal Royal Mail management document obtained by the union reveals that present jobs can only be safeguarded by raising productivity performance in deliveries. It warns "our competitors such as Securicor, UNT, DHL and other private operators have found ways round our legal monopoly".

Foundation for Crown Agents

The privatisation of the Crown Agents, the government-controlled procurement, technical and financial services agency, will allow the organisation to operate as an independent foundation rather than be sold to a controlling company.

The move is intended to free the agency to pursue a wider range of business, operating as a private-sector entity while maintaining the reputation for impartiality and integrity that has made its services attractive to leading aid agencies such as the World Bank, and to national aid programmes such as those of Japan or the European Community.

Privatisation of the Crown Agents, which employs 650 people, has been under discussion since December.

Bank to advise Underground

London Underground has appointed Hambros Bank as an adviser on raising private sector funding.

Hambros is to "consider the feasibility of the private sector funding opportunities that the Underground and London Transport have already identified", and "suggest possible further opportunities for private sector involvement".

Ford deal for Lucas venture

A joint venture between automotive and aerospace group Lucas Industries and Sumitomo of Japan has won a $30m-a-year contract to supply disc brakes for two of Ford's main North American car models. Ford's Taurus and Mercury Sable models will use the components produced by Lucas Sumitomo, a joint venture based at Lebanon, Ohio.

Export officials protest at cuts

Staff in the Eastern Europe department of the Export Credits Guarantee Department took industrial action yesterday as part of a continuing campaign in protest against a proposed 25 per cent cut in staffing levels.

The action in the eastern Europe department, which may continue for several days, follows a one-day strike throughout the department by members of the two civil service unions – the NUCPS and CPSA – on Monday. The ECGD said businesses were unlikely to face disruption as a result of the action.

Thames plans new channel

Thames Television has announced the launch of a new satellite and cable television channel, called UK Living, which will start broadcasting on September 1. The move extends Thames' broadcasting alliance with two of the dominant forces in cable communications, the US companies Cox Enterprises and Tele-Communications Inc.

BUSINESS AND THE ENVIRONMENT

Adding fuel to the waste debate

Ariane Genillard reports on a fierce battle to dominate EC policy on the disposal of household rubbish

From the outside, the Saint Onen waste incineration plant on the outskirts of Paris resembles a newly built museum with shiny metal walls, sloping roofs and elegantly circling approach roads at the back.

Inside, the computerised control room resembles a research laboratory, well endowed with high technology.

Only the faint smell of garbage betrays the fact that this is the place where the community's rubbish ends up each day.

Built two years ago, the Saint Ouen plant incorporates the latest technology for household waste incineration.

It is run on a 24-hour basis by a crew of eight and has the capacity to burn 630,000 tonnes of garbage a year. The energy gained from the burning process is then used to heat 70,000 flats in Paris.

In the view of the Brussels-based Association of Plastic Manufacturers in Europe, the modern French waste incinerator shows that burning household waste in order to produce energy is far more economical and ecological than recycling the accumulated waste.

With the advent of the single market the EC is due this autumn to adopt a directive which will set the recycling quotas for all EC member countries

APME has been fighting a rearguard battle to promote incineration technology in Europe.

Its lobbying efforts have increased recently as the European Commission debates a packaging directive which would force the member countries to adopt similar parameters in the disposal of household waste.

The Commission is due this autumn to adopt a directive which will set the recycling quotas for all EC member countries.

Plastics make up only a small portion of the packaging found in household bins, but they have become a testing ground for legislators across Europe.

Lightweight plastics especially, such as yoghurt pots or cheese wrappers, are at the centre of a growing battle between French and German legislators who hold opposing views on the recycling-versus-incineration issue.

France argues that household waste can be incinerated before it is put on landfills.

And it has developed modern waste technology which enables the incineration to be conducted without toxic emissions.

But Germany wants the EC directive to follow its own national legislation.

Under the influence of the strongest pro-environment lobbies in Europe, Germany has adopted strict recycling laws for waste packaging which prevent incineration – this is in spite of the fact that the modern incinerators are environmentally friendly.

Burning issue: the Saint Ouen plant incinerates 2,000 tonnes of waste a day

The headache for ministers in Brussels is how to reconcile both views in its directive.

It must also set the limits for the recycling quotas and decide what pressure should be applied to meet them.

The aim of the EC directive is to curb the growing mountains of household waste which are at present dumped on landfills across Europe. As space for landfills has become scarce, awareness of its environmental impact has increased.

But the directive must also harmonise existing household waste recycling laws in Europe to ensure that different national waste packaging laws do not prevent particular packaging forms from being sold throughout the community.

The issues have become more urgent recently amid problems with Germany's strict waste packaging law, which sets high recycling targets and forbids incineration.

Flaws in Germany's waste management scheme surfaced when the much-vaunted national recycling scheme, Duales System Deutschland, recently announced it was on the verge of bankruptcy.

German law states that only 100,000 tonnes of plastics can be recycled this year, but the diligence of Germans in separating their rubbish and the efficiency of DSD in collecting it means that 400,000 tonnes of plastic packaging is likely for collection.

The excess rubbish has increasingly resulted in waste paper and glass being exported to neighbouring countries.

In the case of plastics, Germany's insufficient domestic recycling capacity has led either to yet more controversial exports or to the equally disliked local storage of waste plastic.

This inability of DSD to recycle the small household plastic waste packagings has also intensified the debate on whether recycling should be compulsory in member countries.

According to APME, the problem with the German law is that it attempts to recycle all forms of packaging, including those containing mixed materials which are often difficult to sort from other rubbish forms.

APME says that lightweight plastic packaging should be incinerated.

In the Saint Ouen plant, for example, small plastics, which are not separately collected as in Germany, are used as fuel to burn the household waste.

But the German government is locked in an awkward position. The public perceives incineration as detrimental to the environment, even when energy is recovered. "More than any country in Europe, Germany is suffering from the nimby syndrome – the not-in-my-backyard syndrome," says Franz Fraundorfer, a consultant in the German-based office of Arthur D. Little, the US management consultancy.

Helmut Schnurer, state secretary at the German federal environment ministry explains: "We need new incinerators but we are meeting enormous local resistance."

The government is aware, however, that modern incinerators are environmentally friendly and can make more economic sense. Incineration will, in fact, be allowed as an alternative to recycling in its forthcoming law on recycling consumer durables.

This will mean the building of new incinerators.

"Local politicians will no longer be under the influence of local pressure groups because they will be able to say they are simply obeying a federal requirement," says Schnurer.

But in the case of the controversial two-year-old packaging law, there is no turning back. Any change would represent loss of face for the government and for Klaus Töpfer, federal environment minister and architect of Germany's waste management laws.

Meanwhile, the Commission's solution for the waste packaging directive could be to allow both recycling and incineration.

But this solution is unlikely to please either France or Germany.

Lobbyists are urging the City not to invest in Barito Pacific, writes Peter Knight

Campaign to fell pulp producer

The City of London had its first taste of co-ordinated environmental lobbying last week when 275 fund managers received a letter urging them not to invest in an Indonesian wood products company, Barito Pacific.

Barito is planning a $250m (£179m) flotation on the Jakarta Stock Exchange.

"I've been in the business over 10 years and this is the first time I've been confronted with a situation like this. It's difficult to know how to react," says Simon Frasar, investment director at Fidelity Investment Services.

The flotation, announced in early July, ran into trouble two weeks later when Salomon Brothers withdrew as lead underwriter. Salomon's decision was believed to be based on its concern about a lack of management information which it is obliged to supply to the US regulatory authorities.

Environmentalists and human rights groups want to stop the proposed expansion of Barito, one of the world's largest makers of plywood, pulp and paper. Funds from the flotation will be used to increase the company's pulp production and expand the area planted with industrial forests.

"The expansion is not in the interests of the environment, large numbers of local and indigenous people whose lands have been logged by the company without consent, or, in the longer term, the process of sustainable development of the Indonesian economy," says the briefing document produced by the environmental campaigners. The covering letter is signed by 13 groups, including Greenpeace, Friends of the Earth and the Japan Tropical Forest Action Network.

Barito and its financial advisers presented its flotation proposal at a meeting in the Savoy Hotel last month. Over 200 fund managers attended and they, plus other potential City investors were subsequently sent the campaigners' alternative analysis of Barito.

The campaigners make specific allegations about Barito's logging, financial, social and political activities. Simon Counsell, a forests campaigner at Friends of the Earth, says legal restrictions prevented the groups from printing stronger claims.

One leading fund manager – who did not want to be named – was impressed with the environmental arguments and said he believed most of the allegations. He would not be subscribing. "If there is an environmental cloud hanging over this issue then I think it will sink it. This campaign could be quite effective."

Michael Hanson-Lawson, managing director of Crosby Securities UK, the flotation's international co-ordinator, said the project was environmentally sound and he would not be swayed by the campaigners' arguments. He was, however, impressed with the efficiency of the campaign. "They targeted the fund managers very well – this could be an inside job."

Environmental issues were significant in the flotation. He was sure that his clients would read the document and take the arguments into account. But he considered the environmental campaign to be nothing more than a "minor irritant".

James Robinson of Henderson Administration found the campaigners' document too emotive.

"They would do their cause more good if the language was less emotive. They use phrases like 'unacceptable political connections'. Unacceptable to whom?" He said this was one of the first times he had been approached by a group of environmental campaigners. In future he would pay more attention to similar approaches if their arguments were presented in a better way.

Henderson would not subscribe to the Barito issue because there was insufficient international backing. "We have not been swayed by the environmental arguments," he said.

Counsell said campaigners would continue to target fund managers and would attempt to use the City as a lever in bringing about change. He admitted the campaigners had much to learn in dealing with the City. "In the past we have, for example, successfully persuaded investors away from Fisons over their policy on peat extraction. We are relative novices in the use of City language, but we intend to improve," he said.

Television/Christopher Dunkley

From Highgrove to home videos

Dudley Moore's career has heen a striking manifestation of the Peter Principle (which, you may recall, states that people are promoted until they reach a level at which they prove to be incompetent). As a young man, in partnership with Peter Cook, he was superb in the BBC series *Not Only But Also*. Watch any of the "Dagenham Dialogues" – if it's e good painting the eyes, or the bottoms, follow you round the room; always count railings otherwise something awful will happen – and they work as well today as they did in the 1960s. Then he was accepted as a film actor, a joh where you would have to say he was, at best, mediocre.

More recently he has been used, back on television, as the presenter of didactic music series, a role in which he proved in *Orchestra!* to be embarrassingly bad. Why, then, is he now appearing in a similar series called *Concerto!*? Presumably because, in television, nothing succeeds like familiarity. The opening programme on Channel 4 on Sunday featured Michael Tilson Thomas, who showed in the recent BBC programme ebout Beethoven's 5th Symphony that he was such an impressive conductor/presenter, and soloists James Galway and Marisa Rohles, both charming and articulate. So why did anybody think it a good idea to hring in Moore with his Goon voices and facetiousness? Presumahly the reasoning is that those thickies out there in front of their sets will never aecept musical analysis without the sugar coating of comedy – and Dudley Moore is funny, isn't he? Not in *Concerto!* he's not.

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The impressionists on *Spitting Image* have a lot to answer for. Nowadays we all think we know how Prince Charles sounds when chatting with his friends. Keeping your teeth gripped firmly together and speaking through your nose say "Shall we take a walk rind the grinds? It's all dine to Mother Thingy in the end isn't it? You know, Nature". So strong is our certainty that this is how he sounds that it came as a great surprise to find him talking only e little like that in ITV'a *Survival Special* "Highgrove, Nature's Kingdom" on Friday. True, he had a walking stick so long that he had to reach *up* to hold it, but generally speaking he came across as quite sane. The programme was of e remarkably old fashioned type, close to the original Disney wildlife model, with superb pictures by Maurice Tibbles (the fox in the foreground with the rabbit sitting stock still in the background, for instance) but a fatuously condescending commentary: "Conservation doesn't necessarily mean preserving everything ... spring is e busy time on the farm ... the horse was domesticated by man long ago". Gosh, no, really?

Some have claimed that in Billy Roche's *Wexford Trilogy* on BBC2 the third part was better than the second and the second better than the first. To me they seemed quite consistent: all excellent. The first, set in a betting shop, was a Chekhovian lament about provincialism and the virtues of loyalty to your roots versus the attractions of escape. The second, set in the ante room to a snooker hall, while still concerned with small town mentality, looked at pecking orders, crime and hypocrisy. The third, set in the vestry and belfry of a church, featured a sexually naive sacristan, an adulterous wife and a wise innocent. They did more to make you think than an entire year's supply of glossily filmed mini-series. Let us hope that this tremendously successful transfer from stage to screen has reminded Charles Denton, BBC Television's new head of drama, that there is infinite life in studio production.

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The "up to" habit is spreading like couch grass through television news rooms and it should be ripped out and banished immediately. When they tell us "At least £1m was stolen" that is fair enough: it meana that a minimum of £1m was involved so that, whatever the precise figure, this was a significant event. But to say "Up to £1m was stolen", as they did on the BBC's south east regional news, is meaningless. It could mean that £999,999 was stolen or that £1 was stolen. If they mean "About £1m was stolen" they should say so. Similarly with casualty figures: "Up to 10 people were killed" is nonsense whereas "At least eight" makes sense.

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The success achieved by the BBC's Community Programmes Unit (responsible for access programmes such as *Open Door*) in dishing out video cameras to members of the public and getting them to make programmes ehout their own lives is remarkable. *Video Diaries* has produced some of the most powerful documentaries we have seen in the last couple of years, and the current series of *Teenage Diaries* on BBC2 on Saturdays is proving that this was no flash in the pan. Though the camera is in the subject's own hands the content does not always endear the subject to the viewer. Indeed the programmes in this series so far – made by a fatherless, husbandless 15-year old mother; an astonishing Portuguese boy musician; a school-hating 13-year-old girl with a shaven head: and the 12-year-old daughter of single-parent mother – have left some viewers seething and muttering about fecklessness, conceit, mollycoddling and scrounging off the state. But that, surely, is an indication of the effectiveness of the form. It would be interesting to know just how much of the editing, music laying, and tripod mounted footage is really the work of the teenagers, but even if the fine professional hands of the unit do intrude more than we might guess, this is still a most impressive series.

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Yet again coverage by a foreign broadcaster of a big sporting occasion is revealing by default the extraordinarily high standards of the BBC's own sports coverage. German (presumably) coverage of the marathon at the World Championships in Stuttgart gave us overhead shots of a completely deserted road, shots of athletes from the waist down so that they were unidentifiable, pointless shots of the helicopter which was doubtless providing the pictures of the deserted road, and a crucial time gap between the first and second runners which must have been wrong unless the chasing runner got a lift on one of the motorbikes. Where a BBC camera crew would have been well prepared for Konchella's astounding finish in the 800 metres, the Germans were taken entirely by surprise, and so on. If you enjoy athletics it is all deeply irritating except insofar as it highlights the home grown excellence that we are so used to.

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The time has come, if not for a complete retraction, at least for a reappraisal. When *Pandora's Box* was first shown I found the thesis in the opening episode, about attempts by Soviet Russia to run a "scientific" state, wholly unpersuasive, feeling that blame was being laid at the door of science when it should have been that of politics. I took little notice of the rest of the series, but the repeats on BBC2 on Thursdays are showing that to have been a mistake. The episode two weeks ago on the faith that was placed in DDT just after the war, then the launch of the ecology movement with Rachel Carson's "Silent Spring", followed by a new wave of blind faith in Mother Nature, was a profoundly sane programme. And although this pink newsprint may seem an odd place to be saying so, last Thursday's systematic exposé of the ineffectuality of the "science" of economics, at least as practised in Britain since 1945, was masterly. I now look forward eagerly to tomorrow's programme about the chaps at the Rand Corporation, the first "scientific" think-tank, who believed in the balance of terror and provided Hollywood with the models for Dr Strangelove.

The Edinburgh Festival

Sellars kills off Aeschylus

You may not believe it on the evidence of this production, but *The Persians* is e very powerful anti-war play. First performed in 472 BC, it went back to the Athenian victory over the Persians eight years earlier. Many of the members of the first audience must have fought in the war as, it is claimed, did Aeschylus himself.

Apart from being a strong-structured piece in its own right, the play is remarkable for its sympathetic attitude to the Persians. There is no Athenian triumphalism and the horrors of war are shown from the losing Persian side.

There are some similarities with the recent war in the Gulf, although not as many as the director, Peter Sellars, pretends. For example, the Persians in 480 BC must have had reasonable expectation of winning. In the Gulf War only a fanatic could have thought that Iraq could stand up to the air power of the US and its coalition of forces. It was e different kind of contest.

Where Sellars is on stronger ground in pursuing analogies is that Xerxes, the Persian leader, survived despite the loss of many of his troops. A parallel with Saddam Hussein is thus not far-fetched and there is certainly nothing wrong with seeking to give ancient plays a modern edge.

The key question is whether the deliberate insertion of modernity sharpens or blunts the message. We can safely assume, I think, that any audience going to see *The Persians* is going to be fairly intelligent, capable of drawing its own comparisons between warfare past and present and probably enjoying reflecting on immutability.

From an ideal production of *The Persians* – namely the original play – an audience would come away marvelling at the wisdom and foresight of Aeschylus. From the Edinburgh production the temptation, to which I fully succumb, is to curse the perversity and trickiness of Sellars. It does not add to the pathos periodically to introduce the sound of American aircraft bombing Baghdad, nor does it help to have the characters speaking through microphones as a symbol of the way the war in the Gulf was covered by CNN. It is Aeschylus who has been killed.

There are other defects. The original has a strong chorus and a powerful part for the messenger who brings the bad news. Neither have much prominence here, yet they are surely central to the play, the chorus for its comments and the messenger for his graphic description of the Persian losses. Again, the original gives some striking lines to the ghost of Darius, father of Xerxes. Here the ghost is dressed in a long white nightgown and communicates in deaf and dumb language with the words coming through a microphone offstage: they are not all the words of Aeschylus.

The production, intended as the opening theatrical showpiece of the Festival, runs at the Royal Lyceum for the rest of this week.

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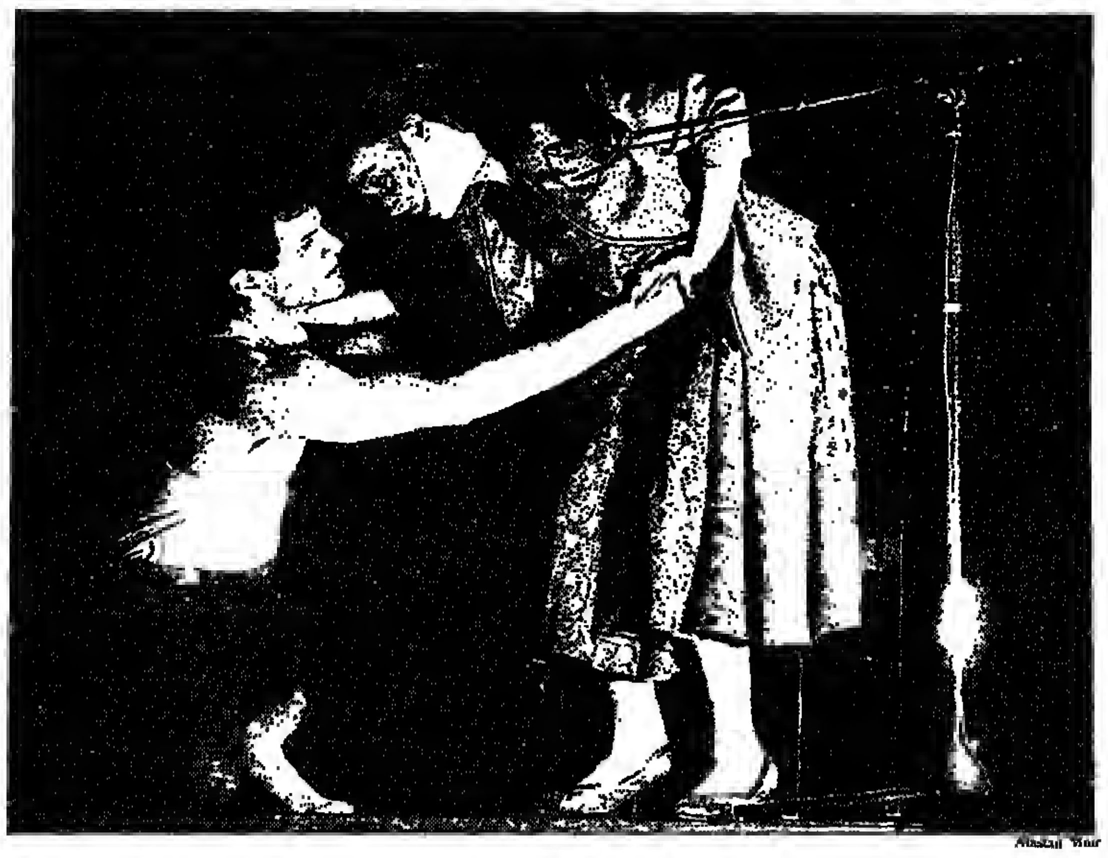
The only reservation about the Red Shift company's production of *Death In Venice* is how far it will make sense if you are unfamiliar with the story. Thomas Mann's masterly short novel has already been turned into a movie by Visconti and an opera by Benjamin Britten. A stage version, however, is an even bigger challenge because of the need for greater dialogue. The novel depends heavily on the writing style and the imagination.

Red Shift pulls it off by preserving what dialogue there is and distributing the narrative text among the characters. Members of the cast play several roles without the panoply of a full change in costume. At the same time, there is one central character, Gustave von Aschenbach, the Mann-like figure who goes to Venice, becomes infatuated with a young boy whom he scarcely dares approach, and then dies of cholera. Aschenbach is played by Michael Sheldon who captures the loneliness of the well-known writer whose very success makes him feel cut off from the rest of society. Sheldon does it with exquisite delicacy, never lapsing into sentimentality.

The company also has a distinctive style with sets: spare, but suggestive and functional. Three panels of dark and light blue are enough to show the sea and the sky outside Venice. Columns open up to allow e hotel reception desk and an altar to descend with the minimum of fuss. Jonathan Holloway directs, the design is by David Roger.

The production plays at the Assembly Rooms throughout the Festival before a spell at the Lyric Studio in Hammersmith, then a nation-wide tour. It is sponsored DI Saronno Amaretto.

Malcolm Rutherford



Joseph Haj and Cordelia Gonzalez in Peter Sellars' production of 'The Persians'

A new 'Foscari' and a concert 'Così'

By the end of this decade there will be no such thing as rare Verdi. The Royal Opera's grand design of staging all the Verdi operas in time for the centenary of the composer's death in 2001 is already causing ripples of activity away from London, where the productions of some of the early operas are being seen first.

I due Foscari is one of them – a co-production between the Royal Opera and Scottish Opera. Although widely neglected for being excessively gloomy, this is in fact one early Verdi work which British audiences have seen relatively recently, when English National Opera put it on in the late 1970s. On that occasion economy imposed an ironic twist upon the opera: painted backdrops were borrowed from Johann Strauss's comic operetta *A Night in Venice* with the result that Verdi's tragedy was played out in front of pretty picture-postcard sets.

None of that here. The production team et Scottish Opera – Howard Davies (producer) and Ashley Martin-Davies (designer) – had shut out any glimpse of Venetian canals, piazzas and watery vistas. They stress the dark, indoor drama about the city's shady political activities with the Venetian Council of Ten meeting in secret session to pronounce harsh judgments on those who have transgressed its laws.

Theirs is e Venice of austere simplicity. The same bare hallway affords access to the council-chamber and doubles as the dungeon, when prison-bars are lowered across the stage. For the council-scene itself rows of seats pop up through the floor, not without some mechanical hitches; coat-hangers conveniently descend from the ceiling when the councillors need to don their robes.

As in so many Verdi productions at the moment, the councillors wear everyday clothes of the composer's period, but robe themselves for duty in medieval style (as though to emphasise Verdi's choice of a 15th-century story to clothe his 19th-century political views). No matter what they wear, the Scottish Opera chorus seems to sing splendidly at the moment and the orchestra was in no less fine form. Richard Armstrong made e name for himself early on with his Verdi conducting and this *I due Foscari* was vigorous, rhythmical, energetic.

At a time when Verdi singers of calibre are hard to find, the company has not fared badly. The Chinese tenor Deng (no Christian name, easier to spell than Pavarotti) is an interesting addition to the ranks of Italian-opera tenors. He is no actor, though he enjoys himself staggering about as the condemned Jacopo Foscari, covered in tomato ketchup. His singing is confident, plausibly Italianate in sound, though not in vocal mannerisms.

First-night nerves unfortunately had the soprano, Katerina Kudriavchenko, wandering all over the place in pitch during her poetic entrance aria. She has the quiet, floated top notes for it, though, and enough force in a venue the size of the King's Theatre to give Lucrezia's hig moments some punch. Her Italian is indistinct. The young tenor Richard Coxon made his mark as Barbarigo; Nicolas Cavallier sang with firm, youthful bass tone as Loredano.

The scene was set for a reasonable show, when fate intervened. The baritone Frederick Burchinal, the evening's Francesco Foscari, went down with bronchitis and was elected to act his role while it was sung for him from the wings. This is never a satisfactory solution and it would surely have been better for everybody if Phillip Joll had been allowed to complement his proudly stentorian singing by playing the character, however simply, on stage.

Scottish Opera's Managing Director announced wittily to the audience that this was a performance when they would get "I tre Foscari" – a good line, but next time a different solution would be preferred. Otherwise Verdi was well enough served. (Sponsored by Hertz.)

Richard Fairman

When you go back to a masterpiece you know, you find that you don't know it. Its component parts add up to something new in your mind, and you find new meanings in it. This is probably more so with *Così fan tutte* than with any other Mozart opera. The balance between delight and pain in its tale of love is always different. The women's betrayal of their fiancés – *così fan tutte*, all women do so – and the men's efforts to find them false: the degrees of feeling, folly, irresponsibility, heartlessness, in all this are forever shifting.

When Charles Mackerras conducts *Così fan tutte*, he often heightens your sense of unfamiliarity by his way with the text. He customarily adds ornaments, opens cuts, and chooses lesser-known alternative versions of certain numbers; and so it was in Monday's Usher Hall concert performance – employing a text different in several details from the *Così* he conducted with Welsh National a few seasons ago. Guglielmo's first aria was given in a little-known version, Despina and Alfonso sang their duet, Ferrando sang all his arias, acres of oft-deleted recitative was restored. And all of it was alive, spontaneous.

And sparkling. The opera's latter-day commentators often exaggerate its quasi-tragic pains. True, if there is a key word in da Ponte's libretto, it is *tradimento* (betrayal); the women at the end admit that they deserve to die for it. But Mackerras reminds us that *Così*, not least when dealing with betrayal, is both fun and sensuous. The libretto, after all, is full of oxymora – "sweet pain," "dear sighs," and so on. Those who enter this opera's cruel trap are also those who find most bliss there.

The world-class cast was an appealing mix. At its core was Felicity Lott (ravishingly attired) as Fiordiligi: utmost elegance, liquid phrasing, gleaming tone, vivid diction, thrilling dignity, tenderest emotion – an ideal exemplum of multi-faceted sensibility. Marie McLaughlin (a potential Fiordiligi who has recorded Despina) sang Dorabella with Latin warmth and impulsiveness, equally natural in the tragedy-queen heroics of her first aria and the delicious erotic surrender of the second. (Both her gown and her hairdo had one idea too many, which could be in character.)

Jerry Hadley plays Ferrando as a callous buffoon, a prat whose prank pratfalls himself. He brought off all three arias with fluency – but why so loud? He even orated the climactic seduction duet as if to a packed forum. Alessandro Corbelli, though often drowned by Hadley in ensemble, is a Guglielmo who illumined the rarely-heard "Rivolgete a lui" and other passages with firm tone and vivid utterance. Nuccia Focile's pellucid, bright Despina and Gilles Cachemaille's detached, urbane Alfonso both know the way of the world so well that they hardly seem to steer events at all – they just nudge things along their natural course.

All praise to the Scottish Chamber Orchestra, playing for Mackerras with panache, luscious tone and wit. Though the great solos and duets of this *Così* were warmly applauded, its great events were its larger ensembles. These so fizzed with dancing rhythms and changing dynamics that we, spectators, became as helplessly involved as any participant onstage.

Alastair Macaulay

INTERNATIONAL ARTS GUIDE

BAYREUTH

In the absence of The Ring, interest this year focuses on a new production of Tristan und Isolde, marking role-debuts for Siegfried Jerusalem and Waltraud Meier. Max Loppert, writing on this page, said that although Jerusalem's voice might be considered light by traditional Heldentenor measurements, he had mastered the art of Wagner pacing. Meier, he said, sounded not just beautiful, but aptly in character, capable by turns of imperious flourishes, soft romantic raptures - as if she had lived long with the character. Heiner Müller's first-ever opera productinn, designed by Erich Wonder, was described as abstractly interesting, emotionally distancing and centrally unromantic. The conductor is Daniel Barenboim. The programme also includes Parsifal conducted by James Levine, with Deborah Polaski as the new Kundry. Poul Elming and Paul Frey share the title role in Werner Herzog's 1987 staging of Lohengrin. Donald Runnicles conducts Wolfgang Wagner's 1985 production of Tannhäuser, with e cast led by Wolfgang Schmidt, Tine Kiberg, Eike Wilm Schulte and Manfred Schenk. Giuseppe Sinopoli conducts Dieter Dorn's 1990 production of Der fliegende Holländer, with Bernd Weikl as the Dutchman and Sabine Hass as Senta. Ends Aug 28 (0921-20221)

BERLIN

This year's festival (Aug 31-Sep 30) is a meeting point between Europe and Japan, with performances by Tokyo Ballet, New Symphony Orchestra of Tokyo, traditional Kabuki and Noh theatre and other Japanese ensembles. There are concerts conducted by Abbado, Ashkenazy, Barenboim, Maazel, Norrington, Sanderling and Tennstedt, plus Beethoven piano recitals by Brendel and Pollini. Peter Brook bringe his Paris-based company with L'homme qui (Berliner Festspiele Kartenbüro, Budapester Strasse 50, D-10787 Berlin. Tel 030-254890 Fax 030-254 8911)

HEIDELBERG

This year's open-air festival at Heidelberg Castle features productions of Cav and Pag, Romberg'e The Student Prince (sung in English) and Haydn's rarely staged L'isola disabitata. Tonight's concert by Eastman Philharmonie Orchestra features music by Vaughan Williams, Mozart and Beethoven. Ends Aug 31 (Tel 06221-583521)

HELSINKI

The festival, celebrating its 25th anniversary, opens on Aug 24 with a Helsinki Philharmonic Orchestra concert featuring Karan Armstrong as soloist in Schoenberg'a Erwartung. Esa-Pekka Salonen brings the Swedish Radio Symphony Orchestra for two concerts, and other concerts are conducted by Marek Janowski, Leif Segerstam and Hana Drewanz. Recitalists include Julian Bream, Jessye Norman and Cecilia Bartoli. There are also performances by Ingun Björnsgaard Dance Company, Susanne Linke Dance Company and the Avangil Ensemble, which brings classical and modern Islamic music from Turkey. Enda Sep 12 (664466)

BESANCON

Besançon's prestiginus conductors' competition coincides with its annual music festival, which runs this year from Sep 4 to 17. Guest ensembles include the Czech Philharmonic under Gerd Albrecht, the Hilliard Ensemble, the Orchestre National de France under Charles Dutoit and the Orchestre National de Toulouse under Michel Plasson. There will also be a special Maurice Ohane commemorative concert given by Les Percussions de Strasbourg (8181 8226)

CASTELL DE PERALADA

The gardens of this Catalan castle north of Barcelona are the beautiful setting for an annual festival of opera, dance and concerts. The final week includes a performance on Sat of Falle'e Nights In the Garden of Spain by Alicie de Larrocha, and a concert on Mon by the St Petersburg Philharmonic Orchestra under Yuri Temirkanov (072-538125)

LA ROQUE D'ANTHERON

The castle grounds of La Roque d'Anthéron, equidistant from Avignon and Marseilles, are the peaceful setting for e piano festival which has been gathering international renown since it was founded eight years ago. In tonight'a concert, Nicolai Demidenko plays music by Rakhmaninov, Chopin and Medtner. Other pianists featured in the final week of this year's event are Moura Lympany, Georges Pludermacher, Elisabeth Leonskaje and Bob van Asperen (4250 5115)

LINZ

This year'e Bruckner Festival runs from Sep 11 to Oct 3. The opening performance of the Eighth Symphony will be given by the Bavarian Radio Symphony Orchestra conducted by Lorin Maazel. Other visitors include the Hilliard Ensemble with e programme of choral music by Bruckner, Pärt, Purcell and Cage; I Solisti Veneti with works by Respighi and Wolf-Ferrari conducted by Claudio Scimone; and Russian pianist Lazar Berman. Horst Stein conducts the Bamberg Symphony Orchestra in Bruckner's First Symphony, Philippe Herreweghe conducts La Chapelle Royale in Bruckner's Mass in E minor with wind accompaniment, end the final two concerts are given by the London Philharmonic under Franz Welser-Möst (Brucknerhaus-Kasse, Untere Donaulände 7, Postfach 57, A-4010 Linz tel 0732-775230)

SAN SEBASTIAN

Highlights of this year's festival, which opened on Mon, include Pier Luigi Pizzi's Monte Carlo production of La travieta, the St Petersburg Philharmonic Orchestra, Spanish National Orchestra with its chief conductor Aldo Ceccato, e series of organ recitals devoted to the works of Messiaen and church concerts featuring tha Hilliard Ensemble and others. Ends Sep 2 (Quincena Musical, Teatro Victoria Eugenia, Reine Regenta s/n, 20003 San Sebastian, Spain. Tel 043-481238 Fax 043-430702)

SANTANDER

This year'a visitors include Anne Sophie Mutter, the Scale Orchestra with Muti, and a bevy of Russian artists - the St Petersburg Philharmonic and Bolshoy Opera Orchestras and the St Petersburg State Ballet. However, the Kirov Opera has cancelled its visit. Ends Aug 31 (Festival Internacional de Santander, C/Gamazo s/n, 39004 Santander, Spain. Tel 042-314819 Fax 042-314767)

SCHLESWIG HOLSTEIN

Like a musical mosaic, the festival spreads out from Hamburg, Lübeck end Kiel to some of the most attractive towns in northern Germany, in venues with a more local atmosphere than most international festivals. In tonight's concert et Kiel, Gidon Kremer is violin soloist with the Asian Youth Orchestra conducted by Eri Klas. Other artists featured in the final week of this year's festival are Anne Sophie Mutter, Christa Ludwig, Yehudi Menuhin, Krzysztof Penderecki, Sinfonia Varsovia and the Wynton Marsalis Band. Günter Wand conducts the North German Radio Symphony Orchestra in the closing performances of Bruckner's Eighth Symphony on Sat and Sun in Lübeck (0431-567080)

TORROELLA DE MONTGRI

The festival is based in e town on the Costa Brava near Spain's border with France. The Solomon Trio gives a concert on Fri, followed by the Berlin Philharmonic Virtuosi on Sat and Jean-Pierre Rampal on Sun (0972-781098)

WARSAW

Despite the presence of chamber ensembles from Lithuania, Czechoslovakia and the Netherlands, this year's Warsaw Autumn contemporary music festival (Sep 17-25) hes a less international look than in the past two years, apparently because of economic problems. Nevertheless, the festival continues to provide an international platform for Poland's lively contemporary music scene, with contributions from Penderecki, Lutoslawski and Gorecki (Warsaw Autumn, Rynek Starego Miasta 27, 00272 Warsaw. Tel/Fax 022 310607)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

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Thursdey Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
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Seturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sundey Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

PERSONAL VIEW

Good and bad of managed trade

There are widespread concerns that managed trade is coming to dominate US – and perhaps global – commercial policy. Some reviewers – including Michael Prowse in the Financial Times on June 25 – have attacked my new book, Reconcilable Differences? United States-Japan Economic Conflict (co-written by Marcus Noland, now senior international economist at the Council of Economic Advisers), as supporting such an approach. Some have similarly attacked Laura Tyson's book, Who's Bashing Whom? Trade Conflict in High-Technology Industries, published by the Institute for International Economics last November*.

Neither Mr Noland and I, nor Ms Tyson, chairman of the council, believe that trade policy measures can solve "the Japan problem". Japan's huge and growing global current account surplus must be reduced primarily by maintaining a strong yen and by restoring vigorous growth in Japan's domestic demand.

The US must correct its budget deficit and adopt domestic measures to strengthen its competitiveness, as the administration of President Bill Clinton is beginning to do.

Our writings flatly reject protectionism. We remain devoted to an open and multilateral trading system. We also believe that aggressive efforts to open the Japanese market are essential.

However, there is enormous confusion over both the meaning of the term "managed trade" and its recent history.

There are two different types of managed trade. The traditional version, usually implemented via voluntary export restraint agreements (VERs), restricts trade and closes markets. It raises prices, reduces competition and reinforces cartel behaviour. It is the most insidious form of protectionism, creating unholy alliances between shielded import-competing industries, which are guaranteed market share, and exporters, who are suddenly licensed to jack up prices and reap windfall profits.

The Reagan administration specialised in this type of managed trade. It negotiated VERs with Japan on cars, steel and machine tools. The then secretary of the Treasury, James Baker, proudly proclaimed that Mr Ronald Reagan had "granted more import relief to US industry than any of his predecessors in more than half a century".

The Clinton administration has adopted no such arrangements. Mr Noland and I flatly reject them, as does Ms Tyson.

The second type of managed trade, sometimes pursued via voluntary import expansion agreements (VIEs), aims to increase the participation of imports in protected foreign markets. It seeks to increase trade and open markets to new competitors. Implemented properly, it reduces prices and enhances competition.

The Bush administration employed this type of managed trade in several cases. It extended the Reagan VIE in semiconductors and pushed Japan into new VIEs in cars and car parts. Mr Clinton has negotiated no VIEs but has raised the possibility with Japan.

The judicious use of voluntary import expansion agreements can help Japanese consumers, foreign producers and the prospects for maintaining an open trading system

Mr Noland and I espouse the use of such agreements to expand exports in certain carefully circumscribed circumstances, as does Ms Tyson.

VIEs may be necessary in markets that deny access to foreigners through a web of opaque exclusionary practices that cannot be addressed by the usual tools of trade policy.

Mr Noland and I analysed 12 sectors of the Japanese economy, ranging from agriculture, high-technology and medium-technology manufacturing to financial and other services. We found a pervasive pattern of exclusionary corporate practices coupled with government intervention. Some of those interventions, especially those that curbed imports directly, have disappeared but they have left a profound legacy of market closure.

The preferred response to such market closure is to identify and abolish the offending government policy, such as discriminatory public procurement. This can be done through the multilateral procedures of the General Agreement on Tariffs and Trade – antitrust policy is the proper counter to restrictive corporate practices.

Unfortunately, tackling restrictive government policy by taking action through the Gatt is often impossible, even when Japanese access limitations can be clearly discerned. VIEs may be the only way to introduce new entrants into some closed sectors in Japan. Even Japan's former prime minister, Mr Kiichi Miyazawa, publicly solicited foreign pressure to help Japan change.

The Reagan-Bush semiconductor VIE illustrates the proper use of managed trade to promote exports. Market access was clearly limited: Japan's import share never rose above 10 per cent-12 per cent, despite the competitive position of non-Japanese companies in other markets and huge changes in all the most important economic variables. At least partly as a result of the VIE, sales to Japan from Europe, Korea, other Asian countries and the US have increased to about 20 per cent of the market.

More important, Japanese end-users sought out foreign suppliers for the first time and began to design their chips into the production process. Competition and world economic welfare have improved as a result.

Why do some free traders oppose a device that expands trade?

Some confuse policy targets and policy instruments. Both VERs and VIEs require government intervention in markets. Hence many observers instinctively denounce VIEs even though they seek, as US under-secretary of the Treasury Lawrence Summers puts it, to unmanage rather than manage trade.

There are, however, significant practical problems with VIEs. Any numerical target is bound to be arbitrary; it is far superior to use a range of qualitative and quantitative indicators rather than a single market share.

No government can control the outcome; changes in the market, in growth rates or in exchange rates can frustrate even the most faithful compliance.

A dangerous dynamic is thus set in motion: the US administration will be attacked as soft if it fails to retaliate against an unmet target – even if all parties know that the failure had nothing to do with Japanese effort – but subjects itself to legitimate counter-retaliation if it does so.

Moreover, VIEs must be used only for temporary periods. They apply only to intermediate industrial products, not consumer goods bought by millions of individuals. They must be open to all imports, unlike the Bush VIEs on cars and car parts, which are limited to US companies and are a blatant invitation to divert sales from other supplying countries – an invitation that Mr Clinton has firmly rejected.

The problems of applying VIEs are thus formidable. They should be used sparingly and only with the utmost care by the US and Japanese governments as they pursue their forthcoming sectoral negotiations.

However, it should be clear that there is an enormous difference in principle between the two types of managed trade. It is analytically incorrect to equate both with protectionism. VERs are clearly protectionist and should be resisted. But VIEs expand trade and may be needed on occasion. Their judicious use can help Japanese consumers, foreign producers and the prospects for maintaining an open trading system.

C Fred Bergsten

The author is director of the Institute for International Economics, Washington, DC

**Both books are available in the US and Canada through the Institute for International Economics and elsewhere through Longman*

Old guard hangs on

Alexander Nicoll and Dennis Engbarth on Taiwan's infighting

Political blows: angry delegates at the Taipei congress

Reuter

Taiwan's Kuomintang party has overseen the island's extraordinary economic development since it was driven out of China by the Communists in 1949. But internal disputes are threatening to tear it apart and end its dominance.

President Lee Teng-hui, addressing the party's 14th congress this week, acknowledged that the party was plagued by factional struggles. "Implementing internal reform [of the party] is more difficult than tackling external challenges," he said.

The pressures on the KMT are similar to those faced by a number of long-standing ruling parties in Asian countries, where rapidly growing prosperity has fostered pluralism, democratisation, and a distaste for corruption.

In Japan, disillusionment with the Liberal Democratic Party, especially over corruption in high places, has just ended its long hold on power. In South Korea, President Kim Young-sam, the opposition campaigner who became the candidate of the ruling conservative party, has launched a crackdown on bureaucratic corruption. Even in China, the communist government has found it necessary to take a stern line on official malpractice which has mushroomed in the current economic boom.

"A lot of the old ruling parties are going to have to come to terms with the corruption that they tolerated and indeed benefited from," says Mr Peter Ferdinand, director of the Asia programme at the Royal Institute of International Affairs in London.

In Taiwan, there is an additional element in domestic political struggles: the relationship with mainland China. The opposition Democratic Progressive Party has called for a formal declaration of independence from China. The KMT is officially against this, although factions within it differ on how strongly to oppose such a move. All are conscious that Beijing, for which the top long-term foreign policy goal is reabsorption of Taiwan, would view with great concern any shift which looked likely to lead to a formal declaration of independence.

Last week, six prominent members of Taiwan's parliament, attacking the KMT's corruption, broke away to establish the New Party. One of them, Mr Lee Ching-hwa, son of former prime minister, said: "The old KMT is going in the direction of money politics, dictatorial policies and Taiwan independence, while the New Party is opposed to all of these."

This week's congress has shown that their departure has not ended internal dissidence. President Lee had to give way to rebels yesterday and make concessions on the election of party vice-chairmen who are likely to be leaders of the faction harking back to the KMT's mainland origins whose influence he has been seeking to reduce.

The arguments within the party have been growing for decades. Until recent years, the KMT's right to hold power and its methods were unquestioned. Its leader, General Chiang Kai-shek, fled to Taiwan with 2m soldiers, bureaucrats and others in 1949, driven out by Mao Zedong. Their stay was intended to be only temporary, the prelude to a return to Beijing, since they regarded themselves as the rightful rulers of China. Firm government and martial law were needed because of the constant military stand-off with the mainland.

But as the years have passed, that rationale has become out-moded. Though China remains determined to reabsorb Taiwan, the threat of imminent military action to achieve this goal has receded. Gen Chiang's son and successor, Chiang Ching-kuo, realised that the KMT would have to strike roots in Taiwan. People born in Taiwan have increasingly dominated the KMT, displacing the "mainlanders".

Mr Lee, who took over as president in 1988, overcame resistance from Chiang-era KMT elders to carry out political reforms including elections of the National Assembly in December 1991 and the Legislative Yuan (parliament) in December 1992. The effect has been to strengthen the power of Taiwan-born politicians at the expense of those who saw Taiwan's future bound up in that of mainland China.

The KMT has yet to face a serious external challenge to its control. But its attempt to transform itself from an authoritarian revolutionary party into an electoral machine has not been smooth. This week's congress is intended to speed the process.

But its showing in last December's parliamentary elections, when the Democratic Progressive Party - the main opposition party - won 52 seats compared with the KMT's 102, underlined growing disquiet at its policies and practices.

Though the KMT introduced democracy, it is finding it hard to adapt itself to it. Accustomed to decreeing measures and seeing their successful implementation, it has found itself forced to backtrack several times in recent months.

Its ambitious six-year $300bn (£201bn) plan for massive improvement of the island's infrastructure has had to be delayed and scaled down amid political and financing problems. Last month, parliamentary defeats forced it to cancel a $17bn high-speed railway project.

Though the party has long had open factions, party leaders have been accustomed to iron discipline. Now, however, they have found themselves floundering in their dealings with dissidents.

The party has also been undermined by the success of its economic policies, which have fostered highly efficient industrial companies. Independent businessmen resent the preferential treatment afforded to companies within the KMT's own extensive corporate holdings.

At the root of the KMT's problems, however, remain divisions between the "mainlanders" and Taiwanese-born. Mr Lee has succeeded in putting virtually all arms of government under the control of people who, like him, were born in Taiwan. But yesterday's developments, and the formation of the New Party, have shown how difficult it is for him to exorcise the mainlanders' influence.

There are few signs that the KMT leadership is taking firm action to produce new policies and internal reforms which will satisfy the party's dissidents. If it does not, it could face an growing electoral challenge from the New Party. A first test will be local elections later this year. Success for the New party could create a three-party system representing a range of views on China, from independence to closer links, perhaps with the KMT occupying the middle ground.

The transition to a more complex democracy will be viewed closely by the west – which wants to avoid Taiwan's status leading to eventual conflict with China – and by the island's Asian neighbours, especially China itself. Mr Ferdinand, of the Royal Institute, notes that "the power of Taiwan to serve as a model for the rest of China should not be underestimated."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Coal need not make electricity expensive

From Mr A D J Horsler.

Sir, There was much with which I agreed in your editorial "In the pit" (August 16). But your statements that "coal is a dirty and expensive form of generating electricity", and that changing the energy market by, for example, restricting gas-fired stations, closing nuclear plants or halting imports of French electricity "would impose higher electricity costs on British businesses and consumers" cannot go unchallenged.

If new power stations are to be built, coal is at present a more expensive source of generation than gas. But why do we need new stations now when there is already surplus capacity? High-efficiency coal-fired power stations will be forced to operate at greatly reduced output and the consumer is having to pay a return on unnecessary investment. This may well be one of the reasons behind the surge in electricity pool prices this summer, which has so disturbed consumers and Offer, the electricity watchdog.

As pointed out in the Commons trade and industry select committee report in January, the cost of electricity from existing power stations – even allowing for the addition of flue gas desulphurisation when needed – is cheaper than that from many new gas-fired stations, and will become more so with the continuing decline in British Coal prices. The stimulus for much gas-fired generation has been provided by rivalry between regional electricity companies and generators, rather than by underlying economics.

As to nuclear, it is hard for a coal business struggling for survival to see it implied that nuclear power, dependent for almost half its income in England and Wales on a levy on other forms of generation, is somehow driving out coal on cost grounds.

The attraction of imported electricity depends on the classification of power imported over the link with France as "non-leviable". This means, in effect, that wholesale purchasers of that power in the UK can afford to pay more for the power because they are still collecting the levy on their sales, but do not need to pass it to the French. The select committee pointed out that "far from providing cheap electricity, Electricité de France has provided some of the more expensive baseload supplies".

That the government decided not to make any fundamental changes in the electricity market as a result of the coal review is a matter of record. That to have done so would have led to higher costs to consumers is not.

A D J Horsler,
marketing director,
British Coal,
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London SW1X 7AE

Training on job needs better image

From Mr J E Troth.

Sir, Your leader "Leaving school" (August 10) summarised the dilemma facing pupils in the 14-19 age group in the UK educational system. The changes to the national curriculum and the transformation of GNVQ into vocational A-levels will help to bridge the divide between the academic and vocational routes, but the apparent stigma of the work-based vocational route after the age of 16 still remains.

There can be no escaping the fact that for a significant proportion of 16-year-olds staying on at school is not the most appropriate method of personal development, and the acquisition of skills is best achieved in a job with structured training leading to vocational qualifications.

The enhancement of the image of this route is just as important as the elevation of GNVQ, and an acknowledgement of the value of the apprenticeship approach by schools and government would do much to achieve parity of esteem across the whole spectrum of education.

J E Troth,
chairman,
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Kingsmill Road,
Wrexham LL13 8BH

Grant schools are audited properly

From Mr David Walsh.

Sir, Your article "Funds at risk in opt-out schools" (August 12) outlined the criticisms of Sir David Cooksey, chairman of the Audit Commission, over the audit arrangements for grant-maintained schools.

My company has been involved in the grant-maintained schools sector from early on and we currently act as auditors to a number of such schools. In every case, we have gone through the rigorous selection procedure set down by the Department of Education. Once appointed, our terms of engagement are definitively set out in a letter of engagement detailing the respective roles and responsibilities of the auditors and the governing body. We are appointed not by school staff but by the governing body of the school. I believe that this provides the independence that Sir David claims does not exist.

I also take issue with Sir David's claim that personnel within grant-maintained schools are unfamiliar with handling public finances. Invariably the schools have a history of setting and operating their budgets and controlling and recording income and expenditure within their local education authority's management scheme. On incorporation, grant-maintained schools are funded directly by the Department of Education; it seems that Sir David considers local authority funds to be less "public" than those of central government.

The work of the independent registered auditors is also subject to monitoring by their regulatory bodies. I object to Sir David's implication that the Audit Commission is more likely to detect misuse or misappropriation of funds than the independent sector.

Finally, if Mrs Ann Taylor, shadow education secretary, had taken the time to familiarise herself with the audit requirements issued by the Department of Education to all grant-maintained schools she would have known that they are indeed answerable to statutory audit procedures.

David Walsh,
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grant maintained schools department,
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Interim managers can speed up recovery

From Mr Richard McKeown.

Sir, Lucy Kellaway's excellent article, "Troubleshooters for hire" (August 9), postulates a future of more self-employed, project-focused, knowledge-based interim managers, with companies employing fewer very senior executives to hire and co-ordinate the short-term specialists.

The effect of the recession on both sides of the Atlantic is surely speeding up this process.

More companies, stripped of massive structures and now lean and fit, are reorganising tasks into part-time or ad hoc projects and are turning to networks of independent specialists or leased executives for help. In some cases those specialists are former employees now operating independently and available for hire.

There are a lot of motivated quality people in the marketplace ready to tackle short-term projects, fill temporary gaps or take on part-time posts. I speak from experience, having been a professional interim manager for five years with a continuing flow of projects.

Smaller and medium-sized companies could probably benefit from this resource to speed up recovery. But it is also up to independents to market themselves and seize such opportunities.

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FINANCIAL TIMES
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Wednesday August 18 1993

The MMC and British Gas

YESTERDAY'S Mnnopolies and Mergers Commission's reports on the UK gas market are in some ways more radical and in some ways less radical than expected. The commission has been more radical in racommending a break-up of British Gas, but less radical in proposing that the company'a domestic monopoly not be abolished until early next century.

The overall thrust of the two reports, which aim at a more competitive gas market, seems about right. Although British Gas has certainly improved value for money and customer service since privatisation in 1886, much remains to be done. The company is atill overstaffed, while its monopolistic culture remains atrong. Greater competition will not only give British Gas an incentive to become more efficient, but also give customers a choice.

Nevertheless, some of the commission's detailed recommendations are open to question. First, the proposed timescale for abolishing British Gas's monopoly seems too leisurely. The company currently has a lock on all customers using less than 2,500 therms a year. The commission thinks this figure should be reduced to 1,500 therms in 1997 with further liberalisation postponed for another three to five years.

The reason for the delay is that the commission has been persuaded hy British Gas'a argument that a free-for-all could cause problems in balancing supply and demand through the pipeline system. This, it argues, would not only inconvenience customers but could lead to gas explosions.

Safety argument

While this safety argument cannot be ignored, a solution could surely be found in less than seven to nine years. The modest reduction in the monopoly proposed for 1997 will bring the benefits of competition, currently enjoyed by business customers, to only 500,000 of British Gas's 18m domestic customers. Customers, who can already choose their telephone company and who by 1998 will be able to pick their electricity supplier, will wonder why they are denied choice in gas.

Second, the form of break-up advocated by the commission may not be ideal. It wants British Gas's trading arm – responsible for selling gas to customers – to be split from the rest of the business to ensure fair treatment for rival trading companies which have to send their gas through the company's pipelines. Tha commission argues that a complete separation was necessary. The less radical option of putting Chinese Walls between the pipeline and trading businesses would, it believes, still allow British Gas to show favouritism to its in-house trading company. And although break-up would have its costs, they would be outweighed by tha benefits.

Break-up costs

Nevertheless, if the one-off costs of break-up are to be incurred, a preferable option may be for the pipeline business rather than the trading arm to be divested. This would ensure fair access to the pipelines not only for rival trading companies but also rival North Sea gas producers. The commission seems to have rejected this approach on the flimsy grounds that British Gas needs to be a large integrated pipeline and production company to compete in world markets.

In deciding whether to accept the commission's recommendations, ministers will have to answer some awkward questions.

Are they prepared to see an end to the system under which all domestic customers pay the same for each unit of gas? Unbridled competition could lead to prices going up for people who use little gas, such as the elderly, and those living in remota rural areas. Although heavy users and city-dwellers should benefit from competition, the government may feel uncomfortable if vulnerable groups end up with higher bills.

Who should pay for the costs of divestiture? The commission has recommended that the costs are passed through to customers – a proposal that pleases British Gas. But the public will be rightly concerned if shareholders, who have already done well since privatisation, seem to benefit at the expense of customers.

Quick answers are not likely. Nor are they desirable since most interested parties will not have access to the commission's full reports until next month. But the pro-competitive stance of these reports is the right one: action should follow.

Nigeria's choices

FOUR TIMES, President Ibrahim Babangida, Nigeria's military leader, has postponed a handover to civilian rule. Yesterday he continued to vacillate, saying that he had told his army colleagues he was prepared to resign, but giving no indication of actually doing so. Meanwhile his speech failed to provide details of the interim government he has promised Nigerians when aborting the presidential poll last June.

The sooner the general goes the better, and international and domestic pressure must make him choose one of two options. In theory, the most honourable would be to respect the result of the June election. Unofficial results gave clear victory to Chief Moshood Abiola. Flawed though the process was, it offered one way back to civilian rule. If the general cannot accept that, he has another escape route. His offer of an interim government could win support, if he retired leaving effective power in the hands of a new civilian administration.

Western governments can play some part in forcing him to choose. They can warn that in addition to existing ban on visas for military officers, an arms embargo will be imposed, arms contracts suspended, and heads of diplomatic missions withdrawn.

This is not enough to budge General Babangida from his bunker. First and foremost the solution lies within Nigeria. The trouble is there is a growing danger that the campaign to oust the general will become less a struggle for civilian rule than a battle between the predominantly Moslem north and the mainly Christian south.

The divide was starkly illustrated by last week's stayaway called to protest against military rule. It was massively supported in south-west Nigeria, the Yoruba-speaking stronghold of Mr Abiola, but won little backing in the north.

Whatever strategy Nigeria's opposition chooses to pursue, it is vital that it transcends this dangerous political fault-line. If this crisis cannot forge a coalition that overcomes ethnic, religious or other rivalries, Nigeria's prospects are bleak.

Keating's haul

WHEN Mr Paul Keating's Labor party unexpectedly won the Australian general election last March, everybody knew victory had its price. Yesterday's federal budget made clear the cost: a growing problem with public sector and current account deficits, rising taxes and a risk that the government's hard-won grip on inflation may begin to slide.

Promises by Mr John Dawkins, the federal treasurer, of sustained job creation seem wishful: despite fiscal stimulus, unemployment remains stuck above 10.7 per cent of the workforce. Reaffirmed intentions to cut the budget deficit from a record A$16bn to A$6bn, or 1 per cent of gross domestic product, by 1996-97 seem more fanciful still in light of hesitant economic growth. For all its strides in streamlining the economy in recent years, the government now has its work cut out to preserve credibility with financial markets and to boost its political capital at home – and another election is less than three years away.

Mr Dawkins will no doubt make much of having kept a pledge to reduce personal tax rates this November. But this should not be allowed to hide the government's embarrassment at having to junk a second promised round of tax cuts later. Nor, given the way Mr Keating focused his campaign fire on opposition plans for a sales tax, can he escape the charge that he is doing something similar by raising indirect taxes.

More worrying is the impression that the government has no clear medium-term strategy for controlling public expenditure. Mr Dawkins talked yesterday of further cuts in defence spending, and even of tightening up on the social security budget – although Mr Keating had insisted on the stump that there was no fat to cut. With national savings at their lowest for 30 years, the government will thus need to raise new direct taxes as well as broadening indirect taxation if it is to have a hope of meeting its deficit target.

Ultimately, however, Australia's biggest problem is slow growth. GDP is forecast to rise this fiscal year by 2.75 per cent – less than is needed to maintain per capita income. Only through faster growth will Messrs Keating and Dawkins create the employment needed to secure re-election – and that, sadly for them, is largely beyond their control.

Disruption would accompany the break-up of British Gas, says **David Lascelles**. Is it politically acceptable?

Balancing act in the pipeline

MR Michael Heseltine, UK secretary of state for trade and industry, has had plenty of holiday reading heaped on him by the Monopolies and Mergers Commission. But while yesterday's 2,000-page report contains a clear set of recommendations on how to deal with the monopoly of British Gas, he now has to judge whether they are politically acceptable.

In this, he will have to weigh the government's deep-seated commitment to greater competition against the disruption that is bound to accompany the largest company break-up seen in the UK. There will be implications for domestic gas prices – always a highly sensitive subject – and for the wider energy balance where the future of coal is already at stake.

Above all, he and his ministerial colleagues are keen for a solution that brings to an end the bitter squabbling between British Gas and its regulator, Ofgas, which has overshadowed the company since privatisation in 1986, and which triggered the monopoly inquiry in the first place.

The clarity of the commission's report is both its strength and weakness. It is forthright about the anti-competitive effect of British Gas's dominance of all segments of the gas market, and about the remedies that are needed: British Gas must be made to sell off its supply business, and barriers must be lowered to allow more competitors to enter the market to supply households and other small consumers.

Mr Graeme Odgers, commission chairman, said the present structure of British Gas's business "is unable to provide the necessary conditions for self-sustaining competition".

The report is also a carefully crafted document. It sets out a timetable of events extending over nine years in a logical progression, leading from today's highly regulated environment to one in the year 2002 where the gas market is totally free. But some events are also designed as counterweights to others to keep disruption to a minimum. Thus, British Gas is allowed various price benefits to compensate it for the dismantling of its monopoly.

However the commission's craftsmanship also makes it harder for Mr Heseltine to play around with the recommendations. If he only wants to accept part of them, or tries to change them, the whole package risks falling apart, rather like a Chinese puzzle.

Will he, for example, accept the most dramatic recommendation: that British Gas be made to divest itself of its trading activities by 1997? This goes much further than most observers had been expecting because of the huge costs and practical difficulties in dismembering an industry of this size. It even exceeds the demands contained in a special report prepared by a number of British Gas's would-be competitors and Coopers & Lybrand. They called for the separation of British Gas's activities into subsidiaries rather than a complete break-up.

Logic, insofar as it is any guide, suggests that Mr Heseltine will agree to a break-up. The government is keen to stimulate competition. It has also been bombarded with criticism for transforming a string of utilities – from British Telecom to the electricity generators – into something approaching private sector monopolies. The monopolies commission gives it the opportunity to correct the problem in one sector.

Mr Heseltine could still opt for the lesser course proposed by the Coopers report. But the commission is emphatic that this would not achieve the desired objective of creating true competition. It also asserts that the cost of break-up – £80m annually – is less than British Gas has been warning of, and would in any case be offset by lower prices as a result of increased competition.

He also faces some tricky issues in the abolition of British Gas's monopoly of the tariff market for small consumers. Although the way forward should be clear to a free-market government, opening up any utility market to competition is fraught with problems.

Under the present arrangements, a minority of British Gas's customers – the top third – pays more for its gas and subsidises the majority. This pricing structure would be swept away by competition, meaning, as the commission tactfully puts it, there would be "winners and losers". The "postalised system", which currently ensures that all consumers pay the same no matter how much it costs to transport the gas to them, would also be sacrificed, so remote consumers would pay more.

There are also technical and social problems in deregulating gas: who would be responsible for ensuring that the system operated safely, and who would supply the disadvantaged segments of the population? If the commission report has a weakness, it lies in its failure to address these difficulties. "These are matters for the regulator," Mr Odgers said yesterday.

It would be easier for Mr Heseltine to deal with the commission's proposals if the government was not already embroiled in controversy over the imposition of value-added tax on home heating, and the long-running row over the run-down of the coal industry. Both these issues have shown that there are few better ways that the government can stir public ire than by interfering with the energy industry. It was already clear yesterday that the Labour party is ready to pounce on any move which suggests that little old ladies might be left shivering in the cold.

There is one way Mr Heseltine could modify the recommendations to make the package as a whole more politically acceptable. The commission took the view that the costs of the restructuring should be loaded on to the consumer rather than British Gas's shareholders. This was because it believed that the company's profitability should be enhanced to enable it to attract investment – and presumably win British Gas's support for the package and help it fatten up the trading business for divestment. Mr Heseltine could redirect a portion of these costs on to British Gas itself, which would have the double advantage of keeping prices down for the consumer and ensuring that costs were being shared.

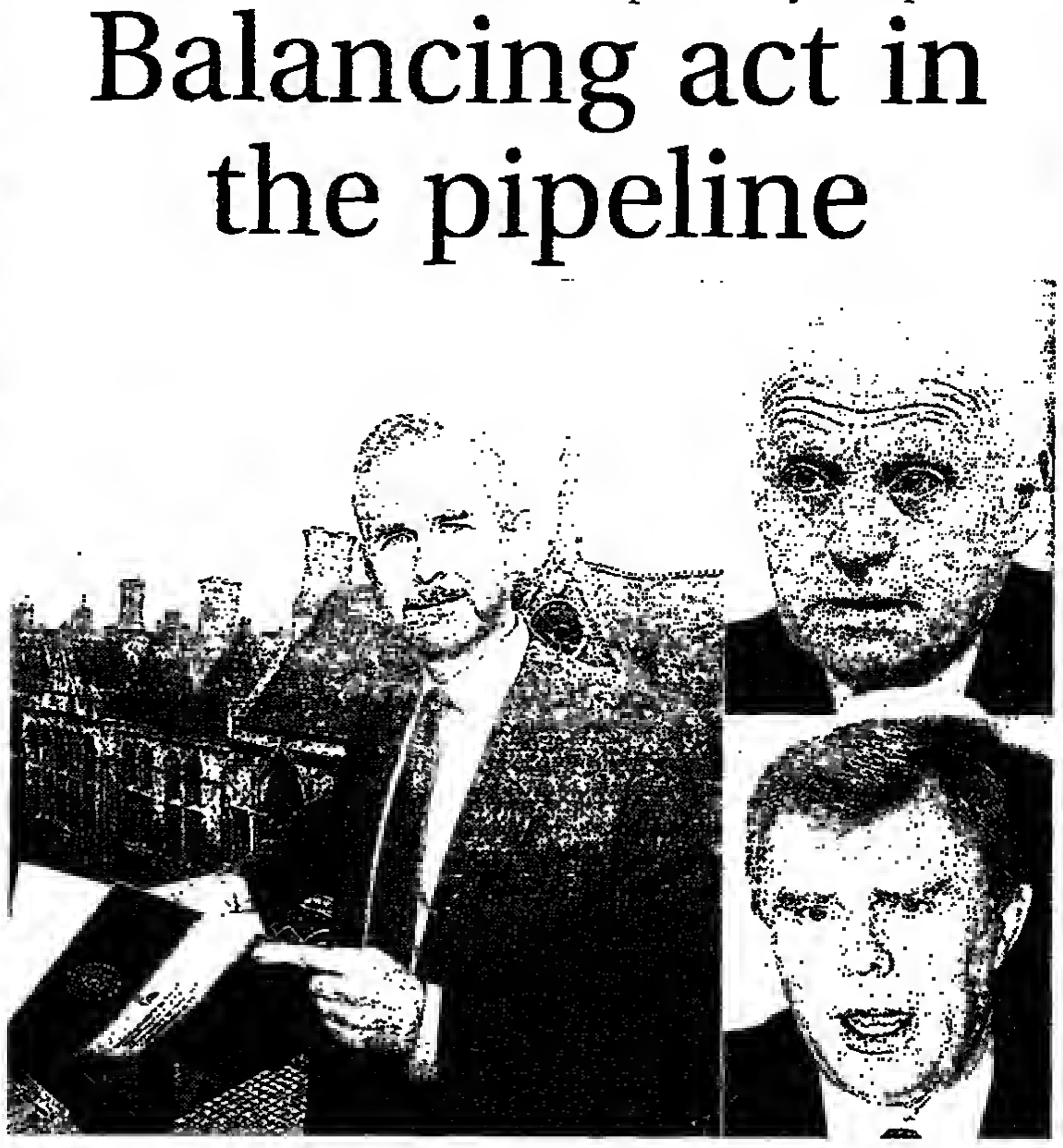
Apart from the consumers and shareholders, a third constituency that needs to be catered for is the group of potential competitors. Unless the arrangements are sufficiently attractive, they will not participate and the whole exercise will fail.

With its forthright emphasis on opening up the market, the report went down well with this group yesterday. Mr Edward Trafford, marketing director of Mobil, one of the largest suppliers of gas from the North Sea, commended the commission for "good thinking" in the recommendations. "They put British Gas on a level playing field. The timetable might be a bit faster but at least they've shown us the horizon we're heading for."

For British Gas itself, the report marks the beginning of a period of deep uncertainty, both over Mr Heseltine's intentions and, assuming he accepts most of its recommendations, the future of the gas business as it settles into its new shape. The hazard it faces is that Mr Heseltine will take the politically easier route of accepting only those parts of the report that profit the consumer without giving British Gas the countervailing benefits.

However, it seems unlikely that Mr Heseltine can afford to be too selective as he pores over the recommendations. The question of whether more competition needs to be injected into the gas market is hardly at issue any more. The report has identified the two main defects of the gas business: the conflict of interest inherent in British Gas's control of all aspects of gas supply and transportation, and the effect of the lack of competition on prices and service standards.

The question has now moved on to how best to deal with these defects. The Department of Trade and Industry was being studiously uncommunicative yesterday about its views on the report. But ministers have already indicated that they want a "manageable" solution to the British Gas problem. By this they mean an outcome that satisfies most of the concerns of most of the interested parties. That is no small task. But the commission's report has clarified many of the issues in this most complex of monopolies, and pointed to the possible answers.



Trevor Humphries

Gas trio: clockwise, James McKinnon of Ofgas, British Gas chief executive Cedric Brown, MMC's Graeme Odgers

A lull in creative tension

Deborah Hargreaves on the outlook for the regulator

Officials at the Office of Gas Supply were congratulating themselves yesterday on the outcome of the report by the Monopolies and Mergers Commission. "On a scale of one to 10, I think we've scored nine out of 10," said Mr Greg McGregor, director of competition and tariffs.

The commission has embraced many of Ofgas's suggestions for the future of the gas industry, with some important modifications. It has also vindicated the view of Sir James McKinnon, head of Ofgas, that his combative style of regulation has achieved significant benefits for consumers.

Ofgas had called for the radical hraak-up of British Gas into separate regional companies as a way of achieving full competition. But officials stressed yesterday that this was a way of promoting discussion rather than Sir James's favoured route. Ofgas's main concern was the separation of the pipelines company from British Gas's trading activities, as the commission recommended.

Mr Graeme Odgers, chairman of the commission, said he believed the regulatory system was fundamentally sound, though "there have been problems with rather confrontational relationships". But, in future, the closer concentration of Ofgas on the technical aspects of the pipelines company should reduce the element of acrimony.

The retirement of Sir James in October and of Mr Robert Evans, chairman of British Gas, next year, will help to smooth tensions between the company and its regulator. Sir James's Glaswegian charm has made little impact on the taciturn Mr Evans, and they have failed to strike up a cordial working relationship.

Sir James describes his relations with British Gas as "creative tension", but the tension has often been more evident than the creativity. Sir James has implied that British Gas's top management is not up to the job of taking the company into a new competitive marketplace. British Gas has countered with implications that the regulator is "off his rocker".

"It is very important to say that the regulatory system has been given a clean bill of health by the commission. British Gas had been pouring a huge amount of scorn on us," said Mr McGregor.

Ofgas welcomes the chance to develop a relationship with a separate pipelines company – which is what will be left of British Gas when its trading activities have been divested after March 1997. Mr McGregor said he relished the idea of working with the company to set up a regulatory regime, rather than working against it as now.

Sir James's attempts to agree pricing and structural reforms with British Gas have been fraught, and he has often turned to the media to promote his views. British Gas has sometimes been caught on the hop, as when Sir James called on the company to cut its prices to household customers in an early-morning radio programme last year.

"With the changes at the top of Ofgas and British Gas, I think it provides an opportunity for a constructive relationship to be built," said Mr Cedric Brown, chief executive at British Gas.

But already hints of future tension have slipped into the more co-operative noises emanating from both the company and the regulator. Ofgas wants to see competition introduced for household customers more quickly than the commission has proposed. It believes that many of British Gas's fears of price rises for small users, and other penalties of a freer market, are "alarmist".

In addition, the regulator is unhappy about suggestions by the commission that the consumer should foot the bill for the costs incurred in selling off British Gas's trading arm. Ofgas is prepared to push hard for shareholders to bear this burden, since it is they who have benefited from monopoly prices – higher than if the market were competitive – since privatisation.

The commission bas also trustingly left the details for the introdnction of competition into household snpply open to negotiation between Ofgas and British Gas. This is an area that could prove contentions since views differ greatly. Sir James's successor will need patience and tolerance if he or she is to remain in harmonious relations with British Gas.

OBSERVER

Shipyard humour

■ Over the years John Selwyn Gummer, Britain's environment minister, has been called everything, from a crystallised choirboy and solemn-visaged pipsqueak to a born head prefect. But until now no one has ever dared to call him a "drittsekk", in public at least.

However, Norwegian environment minister Thorbjoern Berntsen has no such hang-ups. Berntsen, 58, who used to be a ship's plumber before he took up Gummer's trada, was addressing a pre-election rally when he uttered one of Norway's more common swear words, which apparently translates into something very vulgar, to describe his opposite number in England.

The Norwegians are particularly upset by British emissions of poisonous gases which fall as acid rain in Norway, killing forests and polluting lakes. But there is more to it than that. Berntsen, not known for his environmental sensitivities until he got his job, obviously does not like Gummer. But unlike his counterpart Labour MPs in Britain, he is not afraid of saying so.

Yesterday Berntsen admitted that he could probably have said the sama using somewhat different words, but "I usually say things directly so that people understand what I mean". And whereas lesser political figures might have toned down their comments yesterday, the minister was showing no signs of being cowed by the rising diplomatic storm. He told the state radio station that Gummer was one of "the most arrogant people" he had ever met.

The British embassy in Oslo said it was regrettable for ministers to use such language, but it seemed that "Mr Berntsen has been expressing himself in his usual forthright way".

Bet John Gummer won't stoop to calling Berntsen a whale-murderer.

Containment

■ Tiphook's finance director, Rodger Braidwood, walked the plank yesterday – a move thoroughly well-leaked, as has become the wont of the appropriately named company.

Nothing surprising in that, given the catalogue of recent financial disasters. But why did he not go at prelims time in July – surely something else has not gone wrong? And why is he being replaced by his deputy, Andrew Chandler, who has been there since 1990 and so is no new broom.

The answer is probably that Tiphook, shuddering under gearing levels of 470 per cent, could scarcely allow itself the luxury of a lengthy executive search, even if it thought it could lure the right person. And Chandler is by all accounts a slightly more down-to-earth character than his flamboyant predecessor.

Quite enough entrepreneurial flair is resident in chairman Robert Montague.

'I'm hoping he can cure my lumbago and bring back Stewart Granger'

Living down

■ UK telly-addicts rejoice! Next month brings a brand new 20th channel, if boredom is setting in with the other 19. A paltry selection, perhaps, compared with tha 150 on offer in New York, hut this one is worth waiting for.

UK Living is aimed at women aged between 25 and 45 from socio-economic classes C1, C2 and D. "What do women in the 1990s want?" asks an enthusiastic Paul Styles, on secondment from KPMG Peat Marwick. "They want reality, they want romance, to get in touch with their better feelings."

But what do they get? Reruns of BBC TV chat shows; US soaps and dramas; a new game show featuring bickering couples; and an item called Polly on the Trolley, with prizes.

Comic turn

■ US ambassadors to Mexico are in the habit of stirring things up, but has Jim Jones, who is stepping down as chairman of the American Stock Exchange to take up the top diplomatic post in Mexico, set a record?

Even before he had set foot in the country, Jones was heard agreeing to check figures on drug hauls as well as to hroach the ticklish question of electoral fraud. That may have satisfied his interlocutor during confirmation hearings, right-wing repuhlican senator Jesse Helms, but the nationalist Mexican press immediately branded Jones an interventionist would-be proconsul. Even the normally sedate Excelsior newspaper urged his replacement.

Jones, a former democrat congressman from Oklahoma, complains that he merely said yes to Helms's leading questions and was misunderstood. Still, if he is to avoid the fate of John Gavin, the former movie star appointed Mexican ambassador in 1981 by Ronald Reagan, he had better smarten up his act.

Gavin's willingness to hreak all the rules of diplomacy went down well with the likes of Helms, but his period in office coincided with a low point in relations between the US and its important neighbour. Gavin so incensed the locals that the Mexican press suggested that Cantinflas, the comedian who made his name in Around the World in 80 Days, should he sent as Mexico's ambassador to Washington.

Jones the Joke

■ Entering the Pearly Gates, Mrs Jones is anxious to enlist St Peter's help in finding her late hushand. On being told his name is Dai Jones, the saint sighs. "We have hundreds hy that name," says he, could she perhaps be a hit more precise? Was he, for instance, Jones the Post or Jones the Grocer? Mrs Jones was unable to oblige. "Funnily enough he never had a nickname." "Well," said St Peter, patiently, "can you give me any other sort of detail?"

After a little thought, Mrs Jones related how her husband had always said he would turn in his grave were she to be unfaithful to him when he was gone. "Aha," cried St Peter. "That must be Revolving Jones."

FINANCIAL TIMES
Wednesday August 18 1993

Modest growth and higher inflation seen

Australia forecasts $11bn budget deficit

By Alexander Nicoll, Asia Editor, in London

Editorial Comment......Page 11

THE AUSTRALIAN government yesterday forecast a record A$16bn ($11bn) budget deficit, moderate economic growth and higher inflation in the first budget since it won re-election in March.

Measures in the budget for the 1993-94 fiscal year contained few surprises because most, including cuts in personal tax rates from November, had been foreshadowed during the election campaign. A cut in the company tax rate from 39 to 33 per cent from July 1 had also been signalled.

However, Mr John Dawkins, federal treasurer, announced an immediate increase of one percentage point in all wholesale sales tax rates, and a further one point increase from July 1995. He increased taxes on petrol, alcohol and tobacco and broadened fringe benefits subject to tax to include entertainment spending, club fees and travel expenses.

The government plans to cut defence spending and to tighten social security payments and health rebates.

Mr Dawkins said the budget would provide a A$2bn stimulus to the economy in order to create jobs. However, he forecast no significant fall over the next year in the 10.7 per cent unemployment rate.

"The fiscal challenge is to continue the stimulus to activity over the next year to encourage economic recovery and job growth, while setting in train medium-term adjustments to significantly increase public-sector saving," he said.

The budget deficit was forecast to rise to A$16bn in the coming financial year from A$14.5bn in the year ending June 30, 1993. This will force the government to find new funding of A$21.9bn compared with A$20.3bn.

Mr Dawkins said the budget deficit would be reduced to A$5.8bn in 1996-97, partly by deferring a second round of personal tax cuts.

He forecast the economy would grow at an average rate of 2.75 per cent during the next financial year – only a slight increase from 2.5 per cent in the year nearly ended – but that the rate would accelerate to more than 3 per cent in the second half of the year.

Consumer price inflation would rise to 3.5 per cent from this year's 1 per cent, partly as a result of the indirect tax increases and of the fall of the Australian dollar, which dropped to a record low on a trade-weighted basis in June. The current account deficit was expected to grow to A$18bn from A$15.4bn.

Mr Dawkins said the budget established a four-year framework which would enable interest rates and inflation to remain low.

On Australian credit markets, however, bond prices weakened because of fears the higher than expected inflation forecast could lead to increases in interest rates.

East German bank managers on trial over $233m loans

By Judy Dempsey in Berlin

TWO former managers of an eastern German savings bank went on trial in Halle yesterday charged with misappropriation of funds in one of the biggest financial scandals in Germany since reunification in 1990.

At the centre of the case is the Stadt und Saalkreissparkasse Halle, the local savings bank, whose staff granted more than DM400m ($233m) credits during the summer of 1990 to men described by one banker yesterday as "cowboys".

At the time, eastern German banks were flush with cash after millions of east Germans had cashed in their Ost Marks for D-Marks.

The west German businessmen who approached the bank for loans appeared to the east German staff to be beyond reproach. The staff – young, untrained, inexperienced and lacking a competent management – had little idea of which credentials or collateral to ask for, in spite of the size of the loans requested.

The Halle bank issued 10 loans to the west German businessmen, whose real identities have never been established. They relied on the ubiquitous *stempel* – the rubber stamp – to establish their credentials. "Letters" of recommendation with the appropriate institutional stamps were enough to persuade the staff to part with DM400m.

The Halle savings bank had experienced some liquidity problems since the frauds, but Mr Harmut Forndran, an official at the German savings banks association, said depositors had not lost a single D-Mark thanks to the association's insurance schemes.

"This is an unfortunate case," Mr Forndran said. "It took place just after monetary union. There was no infrastructure in the eastern German banking system, no management."

Since late 1990, west German banks have introduced training courses, western managers sit on the boards of most of the eastern German banks, and the chances for fraud – at least across the counter – are rare.

The authorities have managed to recover DM170m from the frauds. "The rest of it is probably outside the country," Mr Forndran said.

SE-Banken in $660m rights issue

Continued from Page 1

improvement has mainly been the result of lower interest rates, although the bank has also benefited from restructuring and a reduction in its balance sheet.

In the second quarter, the group made a profit of SKr310m ($38.6m). This restricted the first half loss to SKr296m, which was SKr2.2bn lower than in the same 1992 period and much less than analysts predicted.

Operating profits before lending losses rose 58 per cent to SKr1.85bn in the first half, while credit losses fell 8 per cent to SKr5.15bn.

At the same time, net problem loans fell to SKr22.5bn, or 7.4 per cent of overall lending.

The bank's capital ratio has risen to 9.1 per cent, compared with 6.4 per cent on December 31 1992. Although it is now comfortably above the 8 per cent minimum, the bank said the rights issue proceeds would allow it to weather further unexpected setbacks and exploit new business opportunities.

It declined to predict a profit for the full year, warning that credit losses could total SKr11bn for the full year, just under last year's SKr11.2bn level.

Shares are being offered on a one-for-one basis at a deeply discounted price of SKr20 per share. Many of the bank's leading shareholders, including the Wallenberg family which holds 7 per cent, have already indicated their support.

Yesterday's disclosures sent the bank's shares soaring a further 11.5 per cent to SKr78.5, more than 11 times the SKr7 level at which they stood in April.

GM diesel engine plant to be built in Germany

By Kevin Done, Motor Industry Correspondent, in London

GENERAL MOTORS is to invest DM500m ($290m) to build a new range of diesel engines at its main Opel engine plant at Kaiserslautern, Germany, after winning agreement from trade unions on a package of far-reaching labour reforms at the plant.

The US carmaker has chosen to build the range in Germany despite the burden of German labour costs, the highest in the world auto industry.

Mr David Herman, chairman of Adam Opel, GM's German subsidiary, said the group had decided on Kaiserslautern, because of progress it had made in introducing streamlined "lean" production methods at the plant. It has won agreement for team working and the integration of production and maintenance work.

The diesel engine plant will operate for 24 hours a day for five days a week and will continue running through rest periods. Shift changes will be achieved without any break of production, and preventive maintenance will be performed as part of normal working time on Saturdays without payment of any overtime premium.

Opel is cutting the layers of management at the plant from five to four, and the works council has agreed to work to lower absenteeism to "an internationally competitive level" of less than 5 per cent. Opel suffers absenteeism of around 9 per cent at its Bochum and Rüsselsheim plants in Germany.

The company said it believed that with the new labour agreement "competitive manufacturing will also continue to be possible in Germany". The choice of Kaiserslautern was a commitment by Opel to Germany, said Mr Herman.

The facility will have capacity to produce 250,000 engines a year with production starting at the end of 1995. It will employ 475 people at full capacity and will help to slow the fall in the Opel workforce at the site.

GM urgently needs a modern diesel power unit for its European car range.

It has fallen behind several of its main rivals, including Volkswagen and Peugeot, in the provision of competitive diesel engines at a time when diesels are rapidly growing in popularity. It was forced yesterday to cut the prices of its 1.7 litre Vectra and Astra diesel cars in Germany by DM1,000 per car to try to bolster sales.

Diesel engines accounted for 17.1 per cent of new car sales in Europe last year compared with 14.7 per cent a year earlier according to figures from Automotive Industry Data. The diesel market share in Germany jumped to 15 from 12 per cent.

THE LEX COLUMN

Laughing Gas

While the Monopolies and Mergers Commission reports appear to give British Gas a framework for the next decade, the company can not act on it yet. The Department of Trade and Industry is clearly in favour of early competition, but the MMC proposals would delay a free-for-all in the domestic market beyond 2000. That alone is enough to cast doubt on whether the recommendations will be accepted. The limbo for British Gas shareholders will thus last a few months longer – hence yesterday's cautious share price response.

Still, working on the assumption that the DTI votes in favour of the changes, shareholders have several reasons to be pleased. Overall, the essence of the MMC's conclusions is that if a more competitive market structure is to be introduced, customers, rather than British Gas's shareholders, should bear the cost. In the absence of a genuine competition, the MMC panel would seem to have awarded British Gas an away win.

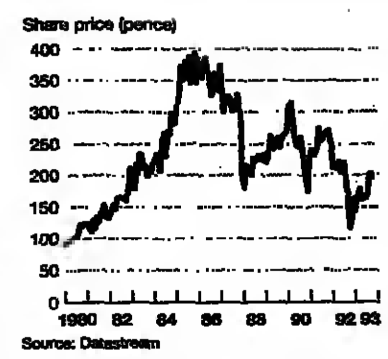
In the central recommendation on divestment of its trading activities, British Gas has been left with a viable business which it can sell or demerge, and which faces only limited further competition in the next few years. It could easily have been required to lose market share without compensation. The company is also being allowed to pass on the costs of restructuring its business to customers. The price cap on the total business has also been eased, bringing in an additional £300m of profits over three years to make up for last year's reduction of the tariff threshold.

When the transport and trading businesses are finally separated, British Gas will be able to charge the demerged trading company at the rate currently charged to third parties. Its pipeline business will then be making profits of at least £800m a year. With the higher rate of return on new assets, British Gas's overall rate of return will climb as it invests in new pipes, as will its profits as the capital employed in the business grows. The delay in competition will also increase value for Gas's shareholders – either by boosting the price of the trading arm if it is sold, or protecting its profits if it is demerged.

All of which leaves British Gas in a better position than it was last August, albeit somewhat short of the peaches and cream paradise the company was seeking. The dividend looks secure, though given that finances will remain tight, and the company is some distance short of its target of a twice-covered payout, any dividend increases are likely to be slow. That said, the 45 per cent yield premium to the market looks too high, even though other utilities have higher dividend cover. All the more so since many of them are just about to go through the regulatory mill.

FT-SE Index: 3025.0 (+16.7)

Sedgwick



Source: Datastream

Sedgwick

Sedgwick's last rights issue in 1986 marked a turning point for all the wrong reasons. Group revenue has since risen by 26 per cent, but expenses by more than 40 per cent. That is reflected in an unrelenting squeeze on margins, first as insurance rates softened in the late 1980s and latterly as underwriting losses have eroded capacity in the London market. No surprise, then, that yesterday's rights price is little more than half that offered seven years ago.

The acquisition of Noble Lowndes from TSB looks better timed than the move into US brokerage at the top of the cycle in 1986. Whether Sedgwick will be able to create a one-stop shop for insurance broking and benefits consultancy remains open to question. But even without cross-selling between the two sides of the business, demand for consulting should pick up as the economy turns. A purchase price of around 14 times last year's earnings, once the impact of TSB's pension fund holiday on Noble Lowndes' profits is stripped out, does not look over the odds.

Since 75 per cent of Sedgwick's revenue will come from insurance broking after the acquisition, though, its fortunes are still tied to the insurance cycle. Waiting for US rates to harden has so far proved thankless. Halting the steady shrinkage of London market capacity depends on Lloyd's success in attracting corporete capital. The golden scenario for Sedgwick – in which US rates harden as the capacity of the London market increases – looks unlikely indeed.

Hanson

Even by Hanson's legendary standards of opacity, its third-quarter results are particularly murky as it finalises the acquisition of Quantum. What little can be gleaned suggests the Peabody strike is now inflicting real pain while the UK and US recoveries are proving largely joyless. The market, though, seems prepared to look through the dull outlook for this year and next towards the sunnier uplands that may lie beyond. If Hanson's early cycle businesses are sparking by then and its late cycle activities can take up the slack, Hanson could again produce faster earnings growth than the market.

SE Banken

The gloom surrounding Nordic banking is lifting as quickly as it descended, judging by SE Banken's first-half results. It is a measure of the renewed confidence that Sweden's biggest commercial bank is launching a SKr5.3bn rights issue and has withdrawn its request for state support after just nine months. The 11-fold rise in SE Banken's shares since April now looks to have firmer foundations.

The rights issue will significantly bolster SE Banken's balance sheet and move it away from the danger zone: its problem loans threatened to push the bank below international capital adequacy standards. At an operating level, it is showing a marked improvement in earnings. Sweden's lowest interest rates since the 1970s have certainly helped, but SE Banken has also made useful gains in securities and foreign exchange. Costs are now 2.5 per cent lower than a year ago, although the full extent of the rationalisation is masked by the krona's devaluation. Still, it would be dangerous to get swept away. SE Banken's problem loans are horrific and credit losses may amount to as much as SKr11bn this year. And while banks across the world have found it easy to justify wider margins while recession lingers, the trick will be to maintain them when recovery takes hold.

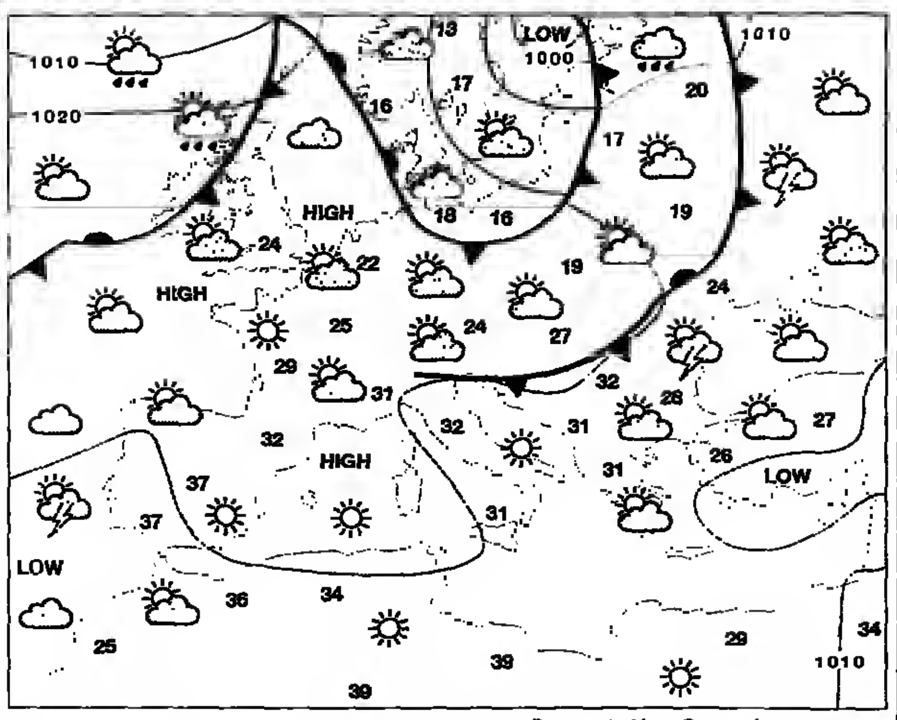
FT WORLD WEATHER

Europe today

An area of high pressure will bring dry conditions to most of western and central Europe. France, England and the Low Countries will have most sunshine. Northern Ireland and Scotland will have some morning rain followed by a few scattered showers this afternoon. Southern Europe will continue very warm with abundant sunshine. There is a risk of thunder showers, especially in Portugal. An active depression over Finland will bring rain or showers and very cool conditions. Sweden and central Norway will have sunny spells and scattered showers. In southern Scandinavia, temperatures will rise to 20C.

Five-day forecast

The Continent will remain mostly dry and rather sunny until the weekend. Temperatures will be seasonal in most areas. Scotland and Ireland will have some rain. *England will continue dry and rather warm* for tha next couple of days. During the *weekend, cloud and cooler air will spread* over England end the Low Countries. A few *showers will develop. It will continue very* warm in southern Europe with only a local thunder shower. Scandinavia will continue cool with more rain and showers.



TODAY'S TEMPERATURES

Forecasts by Meteo Consult of the Netherlands

		Maximum Celsius
Abu Dhabi	sun	40
Accra	cloudy	29
Algiers	fair	34
Amsterdam	fair	21
Athens	sun	31
B. Aires	fair	18
B.ham	fair	24
Bangkok	rain	32
Barcelona	sun	31
Beijing	fair	29
Belfast	cloudy	19
Belgrade	fair	31
Berlin	fair	19
Bermuda	shower	30
Bogota	fair	19
Bombay	cloudy	30
Bordeaux	sun	34
Brussels	sun	22
Budapest	fair	27
C.hagen	fair	19
Cairo	sun	34
Cape Town	fair	20
Caracas	fair	31
Chicago	cloudy	28
Cologne	fair	23
D' Salaam	fair	28
Dakar	fair	30
Dallas	sun	39
Darwin	sun	32
Delhi	fair	36
Dubai	sun	39
Dublin	fair	20
Dubrovnik	sun	31
Edinburgh	drzzl	20
Faro	shower	29
Frankfurt	fair	26
Geneva	fair	28
Glasgow	drzzl	18
Hamburg	cloudy	18
Helsinki	rain	13
Hong Kong	thund	30
Honolulu	shower	31
Isle of Man	cloudy	19
Istanbul	fair	28
Jersey	fair	22
Karachi	fair	33
Kuwait	sun	45
L. Angeles	fair	25
La Paz	rain	17
Las Palmas	fair	27
Lisbon	fair	33
London	sun	25
Lux.bourg	sun	25
Lyon	fair	31
Madeira	shower	26
Madrid	fair	37
Majorca	sun	34
Malta	sun	32
Manchester	fair	23
Manila	shower	29
Melbourne	shower	14
Mexico City	shower	21
Miami	thund	33
Milan	fair	32
Montreal	shower	24
Moscow	fair	20
Munich	fair	23
Nairobi	cloudy	22
Naples	sun	32
Nassau	shower	33
New York	fair	28
Nice	sun	27
Nicosia	sun	36
Oslo	fair	21
Paris	sun	27
Perth	fair	21
Prague	fair	20
Rangoon	rain	29
Reykjavik	rain	12
Rio	fair	23
Riyadh	sun	42
Rome	sun	31
S. Frsco	fair	23
Seoul	shower	27
Singapore	thund	29
Stockholm	shower	14
Strasbourg	fair	27
Sydney	fair	20
Tel Aviv	sun	32
Tokyo	rain	24
Toronto	sun	28
Tunis	sun	33
Vancouver	fair	22
Venice	fair	30
Vienna	fair	24
Warsaw	cloudy	20
Washington	fair	31
Wellington	shower	8
Winnipeg	thund	23
Zurich	fair	25

FINANCIAL TIMES
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INSIDE

DnB prepares for reprivatisation

Den norske Bank, Norway's biggest bank, has announced a return to profit and said preparations for reprivatisation could commence this autumn. DnB's first-half net profit was NKr204m ($27.72m) against a net loss of NKr1.16bn last year. It cited improved net interest income, strong gains on securities due to a sharp decline in domestic interest rates and improved efficiency. Page 15

Declining margins for US shops

Two big US store chains, JC Penney and Dayton Hudson, have reported a decline in core retailing margins in the second quarter of 1992, providing further evidence that the US retail industry remains highly competitive. Page 14

High hopes for NCB president

Nippon Credit Bank is hoping that its new president, from Japan's finance ministry, will lend credibility to claims that the worst of its bad loan problems are over. Through Mr Hiroshi Kubota, the bank has begun a campaign to convince the outside world that Japanese reports of its problems are exaggerated. Page 14

Sedgwick in £144m rights issue

Sedgwick, one of the UK's biggest insurance brokers, yesterday launched a £143.7m ($214m) rights issue to fund two acquisitions. The announcement came as the group unveiled pre-tax profits up 4 per cent to £54.1m in the six months to June 30. Page 15

Strong rally for motor groups

Evans Halshaw, the motor dealing group, is looking for significant acquisitions as its trading performance improves. The Solihull-base group announced that pre-tax profits for the six months to June were £3.72m ($5.5m), compared with £1.5m. Meanwhile, Quicks, the Manchester-based motor distributor, continued its recovery with a 24 per cent rise in first-half pre-tax profits. Page 17

Kalon paints a rosy picture

Pre-tax profits at Kalon, the paints group, rose 42 per cent to £8.73m ($13m) in the six months to July 3. Mr Mike Hennessy, managing director, said Kalon had lifted its market share in the UK retail and trade paints sectors, though margins had fallen. Page 18

US approves Glaxo drug

Glaxo has won US approval for its ondansetron drug, sold under the Zofran trade name, to treat patients suffering from nausea that sometimes follows surgery. The approval could add more than $200m a year to the sales of the drug by 1997. Page 18

Lithuania reverses farm output

In 1991, Lithuania started breaking up its 1,058 land collectives into 413,000 plots of no more than 3 hectares each. The generous land restitution scheme has created 104,000 new private family farms – in a country of only 3.7m people. However, agricultural production plummeted last year. "Chaotic agricultural reforms have brought down the industry," said a former member of parliament. Page 20

Germany's top turnover

Turnover in Europe's top eight equity markets rose strongly for the second month in succession. Germany was the headline performer in turnover terms over the month, a 43.2 per cent rise. Its share price gain was slightly below average, at 5.8 per cent in local currency terms. Back Page

Market Statistics

Base lending rates	28	London share service	21-23
Benchmark Govt bonds	18	Liffe equity options	18
FT-A indices	21	London tradi. options	18
FT-A world indices	Back Page	Managed fund service	24-28
FT fixed interest indices	18	Money markets	28
FT/ISMA int bond svc	15	New int. bond issues	18
Financial futures	28	World commodity prices	20
Foreign exchanges	28	World stock mkt indices	29
London recent issues	18	UK dividends announced	18

Companies in this issue

Arch Minerals	14	GT Chile Growth Fund	18
Ashland Oil	14	Glaxo	18
Asquith	16	Gucci	15
Brent Walker	17	Hanson	13
British Airways	19	Hewlett-Packard	15, 13
Bucknall	18	Hoskins Brewery	18
Burmine	15	Hunter Douglas	15
Butler	14	ISS	15
Canon	14	J.C. Penney	14
DOI	14	Kalon	18, 19
Dayton Hudson	14	Navistar	14
De Beers	13	Nippon Credit Bank	14
Degussa	15	Nordbanken	15
Dell Computer	15	Quicks	17
DnB	15	RTZ	18
Eni	15	Rolls-Royce	17
Epwin	17	Royal Bank Scotland	17
Europa Minerals	17	Sedgwick	18, 15
Evans Halshaw	17	Stonehill	17
Fife Indmar	17	Tiphook	13
		US Smaller Cos Trust	17
		Wharf (Holdings)	14

Chief price changes yesterday

FRANKFURT (DM)				**Rises**			
Rises				Dollfus Mieg	328	+	13
AEG	173.5	+	5.4	**Falls**			
Falls				Bancaire Cie	568	-	20
Asko	745	-	55	Cred Lyon (Ci)	758	-	19
Goldschmidt TH	710	-	20	Essilor Int	532	-	13
Heidelb Zem	1100	-	13	Intertechnique	491	-	16
Hochtief	1141	-	21	Schneider	775	-	24
Holzmann Ph	985	-	13	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Kantou Gas Kog	609	+	58
Good ADR	16⅜	+	1⅛	Molly Machine	650	+	45
IBM	41⅞	+	⅞	Mitsui Wharf	1250	+	150
JC Penney	45⅛	+	⅝	Oriental Photo	509	+	46
Falls				Takuba Pigeon	515	+	49
Dayton Hudson	67⅛	-	1⅛	**Falls**			
Digital Equipment	36⅛	-	⅞	Boso Oil & Fat	650	-	48
Hewlett-Packard	70⅞	-	5				
PARIS (FFr)							
New York prices at 12.30pm.							
LONDON (Pence)				Security Servs	635	+	33
Rises				Smith Beecham A	448	+	16
Amstrad	43½	+	6	Sotheby's A	753	+	21
BICC	417	+	20	Standard Chtd	983	+	25
Bett Bros	115	+	11	Tadpole Tech	245	+	24
Davidson Grp	75	+	7	UK Land	11¼	+	3½
Evans Halshaw	376	+	27	Wellcome	678	+	34
Fife Indmar	80	+	15	**Falls**			
Glaxo	558	+	26½	AMEC	94	-	6
Kalon	167	+	7	Sedgwick	181	-	15
Kwik Save	710	+	22	Simon Eng	64	-	3
MTM	66	+	7				
McLaughlin Harvey	40	+	7				
Securitair A	735	+	34				

Hewlett's rise of 44% fails to impress

By Louise Kehoe in San Francisco

HEWLETT-Packard yesterday reported a 44 per cent increase in third-quarter earnings, but failed to live up to Wall Street's projections.

The computer and electronics group'a stock fell sharply to $71⅛ at midday, from Monday's close of $75¼.

Net earnings for the quarter were $271m, or $1.06 per share, well helow analysts' projections of about $1.20 per share. In the third quarter of last year, net earnings were $188m or 75 cents per share.

Expectations had been inflated by the strong growth in orders placed in the first half of the year. HP had, however, warned that it expected slower order growth in the third quarter.

The decline in the order growtb rate, from 26 per cent in the first half to 19 per cent in the third quarter, was nonetheless "a bit disappointing", said Mr Lew Platt, president and chief executive. Growth slowed substantially in Europe and slightly in Japan, but remained "bealthy" in the US.

Net revenue for the third quarter rose 23 per cent to $5bn. Net revenue in the US was $2.4hn, up 28 per cent, while international revenne totalled $2.6bn, an increase of 18 per cent.

"Our results are a major improvement over last year's third quarter, with profit margins np and earnings growing faster than revanue," sald Mr Platt. "We did a good job of ramping up shipments to respond to strong customer demand for our new products."

Operating expenses rose only 9 per cent.

HP expressed concero, however, about a sharp rise in inventory levels, particularly in its personal computer printer group which had stockpiled parts in anticipation of a fourth-quarter seasonal surge in sales.

For the first nine months, net revenue increased 21 per cent to $14.6hn. Net earnings increased 8 per cent to $879m , or $3.47 per share, from $813m or $3.21 per share in the same period last year. Comparisons exclude the effect of a $332m post-tax charge last year for an accounting change on retirement henefits.

Mr Platt said that improved profitability remained tbe company's top goal. "Our new-product programmes are aimed at pursuing and creating revenue-growth opportunities," he said. "We will also maintain a tight focus on expenses with the goal of reducing our cost structures. In addition, reducing inventory levels is a priority."

De Beers holds dividend despite note of caution

By Philip Gawith in Johannesburg

DE BEERS, the South African-controlled company that dominates the world diamond industry, is maintaining its dividend at 25.2 US cents a share following improved earnings in the half year to June.

Although the company continues to be very cautious about prospects for the second half, tha outlook is much better than a year ago when De Beers announced unexpectedly that a weak market would force a substantial cut in tha final dividend.

The balance sheet has also strengthened, showing an overall improvement of $963m following a decline in borrowings and an improvement in net current assets. The finances of De Beers were weakened in 1992 when it spent large sums stabilising the open diamond market.

At the time of the dividend warning, the company was suffering from an unexpected economic weakening in leading markets and a glut of illicit supply from Angola. Mr Julian Ogilvie Thompson, chairman, declined yesterday to discuss the 1993 final dividend.

The diamond account was largely unchanged from the same period in 1992, with income of $373m against $379m. An improvement in Soutb African operations, following increased production from the new Venetia mine and the benefits of downsizing at the other mines, was offset hy a weaker performance from Centenary, which holds the non-South African assets – mostly in Botswana and Namibia.

Weakness in the South African economy caused investment inoome from interests outside the diamond industry to fall to $111m from $139m. Interest income also declined to $33m from $65m, leaving pre-tax income 9 per cent lower at $444m against $473m.

A lower tax bill boosted attributahle income which rose to $353m from $325m in 1992. Earnings per share rose to 93 cents from 86 cents last time.

Strong sales hy the Central Selling Organisation, tbe marketing arm, of $2.54bn in the first half of 1993, up from $1.79hn, helped reduce diamond stocks to $3.24bn from $3.77bn at the and of 1992.

Ogilvia Thompson: declined to discuss the 1993 final dividend.

Tiphook finance director resigns

By Maggie Urry

MR RODGER Braidwood has resigned as financa director of Tiphook, the container leasing and transport rental group which last month revealed pre-tax losses of £21.8m for the year to April.

He is to receive compensation totalling less than one year's salary, which was more than £500,000 according to the 1992 annual report, although he had a three-year contract.

Tiphook shares fell 2p to 242p.

The company blamed last year's loss on a £77.3m charge following changes in accounting policies. The charge included losses on foreign exchange hedging and interest rate swaps.

Tiphook said yesterday that Mr Braidwood's departure was "amicable". His replacement is Mr Andrew Chandler, 36, the financial controller who joined the group in 1990. Tipbook conceded that Mr Chandler was not well known to shareholders, but said its banks knew him well.

Tiphook also confirmed that Mr Rupert Hambro, a non-executive director, would become a non-executive deputy chairman, and that he would chair the audit and remuneration committees. A review of salaries and incentive payments to directors was in hand, and directors' salaries would be cut this year. More non-executive directors from outside the UK would he recruited "in due course".

The group said it was committed to "stronger financial controls" and that it had "adequate funding for its current needs". There has heen speculation that its burden of £1bn debt could lead to an equity issue.

One lender to the group said the announcement of hoard changes was "an appropriate step".

James Blitz says speculation in the ERM may be more difficult

Days of the one-way currency bet are over

FRENCH and German politicians have recently expressed grave concern at the profits made hy currency speculators during the receot crises in the European exchange rate mechanism.

But, ironically, foreign exchange dealers are theoselves beginning to wonder whether recent events were the last opportunity to make easy profits by placing big ooe-way hets on the devaluations of weaker European currencies. Instead, they think that profits will come more from sophisticated marketmaking activities now that governments have allowed currencies to float within very wide bands.

Some players, like Mr George Soros, the head of the Quantum hedge fund in New York, have made big returns hy selling a currency to its central bank as it approached the ERM floor against the D-Mark and buying it hack when it had devalued.

But, witb the new 15 per ceut limits, the build-up of investor pressure as a currency approaches its floor may be less common.

"The phenomenon of central banks providing the market with a profit as they try to maintain fixed exchange rates may not be there in future," says the head of currency dealing at a top London bank.

Instead, dealers are learning to live with a different market, one in wbich European exchange rates move two ways hut over bigger distances than they did when they were straitjacketed in smaller bands. "A 2 or 3 centime move in the D-Mark/French franc exchange rate is now a daily phenomenon," says one London currency dealer. "That cross rate might have budged by only a fraction of that amount until recently."

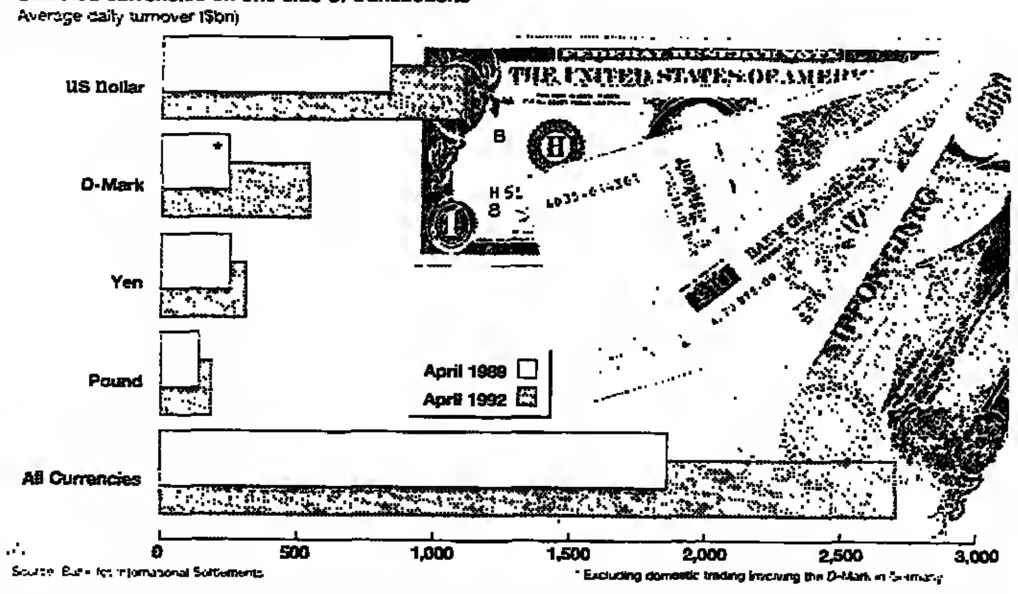
The new situation highlights the importance for banks of their intermediary role as marketmakers, buying a currency from a client and selling it at a more lucrative price to another. "It becomes far more important to make markets in this kind of environment," says Mr Chris Deuters, head of foreign exchange at Lehmau Bros in London.

Marketmaking may sound less ambitious and exciting than taking aggressive one-way bets. But, currency managers at tbe leading commercial banks in Loodon – at institutions such as Citibank, NatWest Markets or Barclays – say they have been focusing on this for some time.

This is partly through necessity. Commercial banks' balance sbeets were weakened by the asset price deflation of the 1980s, making managers much more averse to risk-taking. And, even if they wanted to speculate in currencies, the Bank for International Settlements' directives restrict the amount of loog-term risk a commercial bank can undertake with its cash holdings.

Global foreign exchange turnover

Selected currencies on one side of transactions
Average daily turnover ($bn)



Source: Bank for International Settlements
* Excluding domestic trading involving the D-Mark in Germany

But, the returns on marketmaking have also been huge. Citibank, which claims to be one of the leading interbank counterparties in the London market, recently reported an increase in revenues from $377m in the first half of 1992 to $592m in the first six months of this year.

Chase Manhattan, another leading interbank dealer in the London market, also reported increased revenues, up from $124m in the first six months of 1992 to $188m in the first half of 1993.

A top official revealed his bank's profits were up 90 per cent on those for the first balf of 1992. "These are the kinds of figures being reported by the major banks in the London currency market," be says.

What is striking about tbese revenues is that they came in a six-month period which saw few crises in tbe ERM. The punt, peseta and escudo were devalued, hut these are comparatively illiquid markets wbere speculative profits are limited.

Instead, several new phenomena in the currency market helped transform two-way pricemaking in currencies into a lucrative activity.

● The volumes of currency flowing across the foreign exchanges increased because of the greater activity of pensioo funds in international asset allocation.

The loternational Monetary Fund reported earlier this year that cross-border equity boldings in the US, Japan and Europe had increased from $800bn in 1986 to $1,300bn in 1991.

Fund managers invest increasingly large quantities in overseas bond and equity markets – and they first have to buy foreign currencies from the commercial banks to purchase these instruments. The banks are living in a period of increasing turnover in foreign currencies, estimated at a global $1,000bn a day.

● Once fund managers and multinational companies have hought overseas equities and honds, they protect them from volatile exchange rates.

After the exit of sterling from the ERM last year, many banks in London and New York discovered greater customer interest in their derivatives, which allow the purchaser to hedge risk.

● The increased role of fund managers means that a small group of banks have the liquidity to handle the huge flows in foreign exchange, so currency business is becoming concentrated in the hands of the top 10 or 12 commercial banks in the London market. "We are picking up the business of people we had uever heard of two or three years ago," says Mr Alhert Maasland, head of sales at Chase Manhattan Bank in Londoo.

Dealers are learning to live with a different market, in which exchange rates move two ways but over bigger distances than they did

Commercial bank dealers may have reasons to feel unsure about the future of the business. The prospect of capital controls has recently been mooted hy French and Belgian politicians as a means of containing large-scale capital moves.

Implementation of tbose controls would dry up the fluctuation in European exchange rates. So, too, would any fast track move to European Monetary Union. Both moves would be difficult for governments to take because of the difficulty they have already experienced co-ordinating their monetary policies.

But for the moment, currency managers can profit from daily excbange rate movements, whether tbey are in the thick of a speculative crisis or not.

US miners contribute to 16% fall at Hanson

By Roland Rudd in London

HANSON, the Anglo-US conglomerate, yesterday reported a 16 per cent fall in pre-tax profits, from £905m to £763m, ($1.14bn) for the nine months to June 30.

Last year's figure was, however, boosted by £129m of exceptional gains from the sales of British Ever Ready and a 2.8 per cent stake in Imperial Chemical Industries. This time there was only a £10m charge for an asset write-down.

Profit before exceptional items fell from £764m to £733m on increased sales of £7bn (£6.1hn).

Mr Martin Taylor, vice-chairman, said the group was on target to complete its $3.2hn acquisition of Quantum Cbemical Corporation of the US hy the end of September.

Its full-year results are expected to show that absorbing Quantnm's $2.5bn horrowings bas pusbed gearing to more than 80 per cent. Analysts believe the rise in debt will lead to sales of the gronp's smaller husinesses on both sides of the Atlantic.

The US miners' strike had affected 19 mines owned by Hanson's Peabody subsidiary – accounting for half of the company's capacity. Peabody's profits for tbe nine months, including a first Australian contribntion, fell 32 per cent to £73m.

Hanson benefited from tbe strengtb of the dollar against sterling. More than half of its profits are generated from Hanson Industries in the US.

Fully dilnted earnings per share, reflecting the return to a regular tax charge, fell to 11.5p (from 15.7p). The quarterly dividend is beld at 2.85p.

Lex, Page 12

Exercise in reassurance at Nippon Credit

The bank hopes that its new president will restore its image, writes Robert Thomson

MR HIROSHI Kubota, the new president of Nippon Credit Bank, has an impeccable reputatioo as a senior bureaucrat. The bank clearly bopes that bis presence will lend credibility to claims that the worst of NCB's bad-loan problems are over.

Mr Kubota makes It clear that be was not parachuted in by a finance ministry fearful that the bank was collapsing. He says he took the decision himself after an approach from NCB, one of Japan's three long-term credit banks.

Througb the reassuring Mr Kubota, the bank has begun a campaign to convince the outside world that reports of its problems are exaggerated, and to suggest that one reason for unwanted attention is tbat it has been forthcoming in dealing with non-performing loans.

NCB estimates that its own problem loans are around Y592bn ($5.86bn), while links to ailing housing loan corporations and to three finance company affiliates have created another Y500bn in non-performing loans. At Y1,100bn, non-performing loans amount to around 10 per cent of the parent bank's total loans, but the narrow definition of problem loans in Japan has given rise to suspicions tbat the burden is far beavier.

One sign of financial institutions' concerns is that tbe interest rate in the secondary market for five-year debentures issued by NCB has crept about 0.3 per cent above that of the Industrial Bank of Japan. The two banks issued tbe debentures at the same rate, but NCB's much-publicised problems have created, by Japanese standards, an unusual and embarrassing distinction between the two institutions.

Bridging that interest rate gap would be a sign of tbe effectiveness of Mr Kubota, who aims to reduce NCB's problem loans to zero within the next three to four years – an ambitious goal given the deterioration of the Japanese property market, the source of many of the bank's ills.

Clearing away the financial debris from the bubble era of tbe late 1980s – when NCB, along with many otber Japanese banks, funded speculative property developments – is only part of Mr Kubota's brief. He also must restore the reputation of a bank that confesses to having a "bad image".

After joining tbe finance ministry in 1954, Mr Kubota spent time as an inspector in tbe banking bureau and rose to become director-general of the National Tax Administration Agency. That background means that be knows a bank balance sbeet, and his positive judgment of NCB's difficulties has had o calming influence, although it has not yet cleared away all concerns.

Instead of emphasising the bad-loan figures, NCB points to a 68 per cent rise in core banking profits, to Y90.8bn, for the year ended March, due to a fall in official interest rates which created a favourable spread.

Net profit fell 58 per cent to Y13.3bn after Y70bn in provisions and write-offs, which tbe bank said sbowed its determination to deal with its loan portfolio.

Mr Kubota admits that the interest rate spreads may not be as favourable this year, but says the bank will generate profits through increased business in east Asia, which he recently toured: "It is easier to generate new business in Asia than in a place like New York. Of course, New York is still very large and important, but Japanese companies are very interested in Asia now."

Tbe new president also sees longer-term profits in domestic property, which he thinks will be stimulated by the need for urban redevelopment. Tbe future emphasis, he says, will not just be on lending but in providing "value-added services" in development, which would take advantage of the bank's traditional expertise.

In the shorter term, the property market could continue to be a source of worry for tbe bank. Property loans account for 21.5 per cent of lending, and Tokyo Shoko Research, a private credit researcb company, estimates tbat NCB's total property-related exposure is 23.8 per cent, the second-highest of leading Japanese banks.

The high level of exposure partly reflects the bank's past. From 1957 to 1977, NCB was known as the Nippon Fudosan Bank, or the Japan Property Bank. It was originally the Bank of Chosen, the central bank of Japanese-occupied Korea from 1909 to 1945, and was in charge of issuing bank notes in Manchuria, northern China.

Japan's residential property market is showing signs of recovery, witb demand for new apartments on the rise, but commercial property prices have fallen about 20 per cent in the past year, and appear set to fall further as large projects commissioned during the late 1980s are progressively completed.

One sign of the continuing troubles in the property market is the inability of tbe Co-operative Credit Purchasing Company to sell property collateral. The CCPC was established by NCB and other Japanese banks in January to buy tbeir non-performing property-related loans, and to put a floor under property prices by announcing details of collateral sales. In the period from January to July, the CCPC bought Y502.58bn in loan credits from banks, but recovered only Y920m in collateral.

Asset sales help Wharf to 44% rise in profits

By Simon Davies in Hong Kong

THE Wharf (Holdings), the Hong Kong conglomerate controlled by the family of the late Sir Y. T. Pao, yesterday annonnced a 44 per cent increase in net profit to HK$1.38bn (US$178m) for the six months ended June.

Operating profit was boosted by a HK$478m pre-tax profit from the sale of the International Bank of Asia building and a portion of Wharf Cable Tower.

Wharf has interests in infrastructure, transport and communications, bnt has recently focused on enhancing returns from its land bank.

The company will complete 9m square feet of new property within the next fonr years, compared with its existing 7m sq ft of investment property.

Next month, Wharf's giant Times Square retail and office project will open. Built on top of the gronp's former tram depot, the company estimates the property will provide a recurrent income stream of HK$700m at current market prices.

Wharf yesterday unveiled its plans for the further redevelopment of its Harbour City complex. It will tear down three residential blocks, and replace them with three 33-storey office towers. These will sit above a retail podium. The combined floor area will be 2.5m sq ft. Work will start in 1994.

On October 31, it will launch Hong Kong's first cable television network, after receiving a licence five months ago. The group is determined to expand into communications, and has launched a bid for the licence for Hong Kong's second telecommunications network.

Gronp profits for the second half of the year will be boosted by the proceeds of the sale of its Parc Oasis residential development in Singapore.

The directors recommended an interim dividend of 19 cents a share, compared with 16.5 cents in 1992.

It was announced that Mr Peter Woo would step down as chairman in 1994, and assume the position of honorary chairman, previously held by his late father-in-law, Sir Y. K. Pao. He will be replaced by chief executive Mr Gonzaga Li.

Mr Woo will remain chairman of Wharf's parent company World International.

Keen competition takes toll on US stores' margins

By Nikki Tait in New York

TWO big US store cbains, Texas-based J.C. Penney and Minnesota's Dayton Hudson, yesterday revealed a decline in core retailing margins during the second quarter of 1992, providing further evidence that the US retail industry remains highly competitive.

Dayton Hudson, which takes in a mixture of department stores and discount outlets, said that after-tax profits in the three months to end-July fell to $24m, compared with $42m a year earlier.

Sales were $4.29bn, compared with $4bn. Net earnings would have been even lower, at $19m, but for the inclusion of a non-recurring credit.

Mr Kenneth Macke, Dayton's chairman, said that the company was "very disappointed" with the second-quarter performance overall.

He added that the Target discount stores, whicb form the largest division, performed well, with operating profits improving on a 5 per cent increase in same-store sales. But even here, gross margins fell due to price-reductions, part of a strategy of "value-pricing".

Target did, however, see some improvement in tbe "mark-down" rate, and its operating expense ratio also showed a slight improvement.

The other two divisions – the department stores and the Mervyn's chain – both reported a fall in operating profits and deteriorating gross margins.

The second-quarter results mean that Dayton's first-half earnings stand at $54m after tax, down from $77m at the same stage last year. Sales in the first half were $8.33bn, compared with $7.69bn.

At J.C. Penney, after-tax earnings reached $112m in the second quarter, an improvement on the $80m in the same period of 1992, while sales rose to $3.96bn, against $3.79bn.

However, the company said that the advance was due to "an outstanding performance" by the catalogue division, lower expenses and a "significant rise" in the profitability of the insurance division.

Gross margins, as a percentage of sales, fell to 31.7 per cent from 32.4 per cent a year ago.

Mr William Howell, chairman, said that the decline was expected "because the company's strategy in the intensely competitive retail environment has been to stress unit sales and lower initial price points".

In early trading on Wall Street, shares in J.C. Penney rose by $¾ to $45⅝ on the news, while Dayton Hudson lost $1⅞ at $67⅞.

Two US coal groups in discussions over merger

By Laurie Morse

ASHLAND Coal, the West Virginia coal company that is 41 per cent owned by Ashland Oil, and Arcb Minerals are discussing a merger which could give tbe combined company Nortb American recoverable coal reserves in excess of 2.5bn tons.

The two companies said that the discussions were in the investigative stages and that there was no assurance that a merger would take place.

Arcb Minerals is a St Louis-based company with six divisions tbat operate independently in Illinois, Kentucky, West Virginia and Wyoming. It is privately held, owned 50 per cent by Ashland Oil and 50 per cent by interests of tbe Hunt family of Texas. The majority of Ashland Coal is publicly held.

Both Arcb Minerals and Ashland Coal properties are involved in a selective strike by the United Mineworkers of America union. The dispute has been continuing for three months.

Yen's strength batters Canon

By Gordon Cramb in Tokyo

CANON, the Japanese copier and camera maker, is to seek furtber operating activities abroad. Yesterday, it blamed tbe strength of the yen for a 61 per cent slide in interim pre-tax profits, to Y15.54bn ($151m).

Sales were down just 2.6 per cent, at Y493.9bn, for the six months to June. The company said the rise in the yen over the period had a Y50bn negative effect on export revenues, which it managed in part to cover through price increases and cost cuts.

Canon is to seek ways to transfer research and development, as well as prodnction bases, overseas. It also wants to open joint ventures with companies abroad. Tbe company already has researcb centres in Britain, France, tbe US and Australia, and manufactures in several countries.

Its only area of revenue growtb in the half-year was in computer peripherals. Copiers were slightly lower, but camera sales fell by a quarter.

Net earnings fell 48.1 per ceut to Y11.58bn. For tbe full year, it is maintaining an earlier forecast of a 0.3 per cent dip in sales, to Y1,060bn; pre-tax profits down 50.7 per cent to Y38bn; and net earnings 48.1 per cent weaker at Y21bn. The dividend is heing held at Y12.50, of which Y6.25 is being paid now.

● Cosmo Securities, the financially-troubled Japanese second-tier broker, is to issue 243.75m new shares wortb Y78bn in a third party allotment to Daiwa Bank. Daiwa announced last week it would rescue Cosmo, which last year made an extraordinary loss of Y69.8bn.

The bank will buy the stocks at Y320 per share.

Deficit at Navistar after $513m charge

By Laurie Morse in Chicago

NAVISTAR International, the Chicago-based truck and engine manufacturer which recently negotiated a landmark agreement to cut workers' post-retirement benefits, reported a net loss of $312m, or $9.99 a common share, for its third quarter.

The loss reflected a one-time charge of $513m related to the new benefits plan. Excluding tbe charge, the company's operating results improved in the third quarter.

Before the special charge, pre-tax operating income rose to $11m, up from a loss of $49m in the third quarter of 1992. The 1992 quarter included a $24m charge related to a vehicle recall.

Consolidated sales from the company's manufacturing and financial services operations totalled $1.12bn, up 22 per cent from $917m in the 1992 third quarter.

Mr James Cotting, chairman, said: "The improvement in year-over-year operating results is tbe result of increased demand across the board in all of our businesses."

The company said that shipments of mid-range diesel engines increased 30 per cent in the quarter, while retail sales of medium and beavy trucks rose 28 per cent, to 80,600 units.

Navistar on July 1 implemented a new post-retirement benefits plan, which it expects will reduce its liability for retiree healthcare and life insurance to about $1.1bn worldwide, down from $2.6bn.

DnB may be privatised again as profits return

By Karen Fossli in Oslo

DEN NORSKE Bank, Norway's biggest bank, yesterday announced a return to profit and said preparations for reprivatisation could commence this autumn.

DnB achieved a first-half net profit of NKr204m ($27.72m) against a net loss of NKr1.16bn last year due to improved net interest income, strong gains on securities due to a sharp decline in domestic interest rates and improved efficiency.

Mr Ole Lund, chairman, stressed the bank must achieve stable profits from "basic banking" operations before a programme for a gradual return to private hands could be completed by early next spring. The timetable would be influenced by the third-quarter performance.

Following a six-year banking crisis in the Nordic region, DnB's ended up with a 70 per cent stake acquired in return for numerous cash bail-outs.

Last April, the bank received a state cash injection of NKr1.5bn in preference capital. DnB was also granted a state guarantee of NKr600m which, Mr Lund said, it would not have to call on.

Net interest income rose by NKr296m to NKr2.64bn. Other operating income – gains on shares, foreign exchange, and other financial instruments – shot up by NKr780m to NKr1.87bn as operating expenses contracted by NKr172m to NKr2.25bn achieved by nearly five years of wide cost cutting.

Mr Finn Hvistendahl, president, said he knew of no other large bank which could point to similar cost effectiveness. However, the bank is still saddled with credit losses which, at NKr2bn in the first six months of this year, remained unchanged from last year.

Net non-performing loans increased to NKr12.12bn by end-June from NKr11.6bn at end-1992 due to a reclassification of "doubtful" loans to non-performers.

Mr Hvistendahl said the low rates made it easier for the bank to bear the burden of problem loans.

Swedish bank moves back into the black

By Christopher Brown-Humes in Stockholm

NORDBANKEN, the Swedish state-owned bank, said falling interest rates and rationalisation helped it achieve a SKr1.7bn ($211m) profit in the first six months of the year. In the same 1992 period it suffered a SKr5.2bn loss.

The figures are not strictly comparable as the bank's position has been strengthened following a reconstruction at the start of the year when SKr50bn of problem loans were transferred to a separate state entity called Securum.

This cut the number of the bank's non-performing loans to a quarter of its previous level and created the conditions for a strong recovery in profitability.

Operating profit before credit losses rose to SKr4.52bn in the first half from SKr1.39bn, reflecting an increase in net interest earnings and lower costs.

Credit losses dropped sharply to SKr2.78bn from SKr6.61bn. Just over SKr1bn of these losses were related to the transfer of assets and reserves to Securum.

The bank said non-performing loans fell to SKr10.4bn at the end of June compared with SKr11.1bn at the start of the year (excluding Securum). It added that its pro-forma capital adequacy ratio increased from 8.9 per cent to 10.0 per cent over the same period.

Nordbanken said its full-year result would exceed the half-year level, although it warned that second-half profits would not be as large as in the first six months. Last year, the bank suffered a SKr16.0bn operating loss, the biggest deficit ever disclosed by a Swedish bank.

"The outlook seems good for even lower interest rates, which is good both for customers borrowing from the bank and for the bank's investment activities," Nordbanken stated.

The government eventually intends to return Nordbanken to the private sector, although it has not set a timetable for the move.

Eni sees recovery from 'difficult year'

By Haig Simonian in Milan

ENI, the Italian state energy and chemicals company due to be partly privatised, is likely to report a group loss this year after losing L815bn ($529m) in 1992.

However, in a letter accompanying its 1992 accounts, Mr Luigi Meanti, chairman, suggests it may return to the black in 1994, partly because of privatisation receipts.

Results for the first quarter suggest 1993 will be "another difficult year," according the letter. Margins in the energy business have been eroded by the weak oil price, while chemicals are still overshadowed by the recession.

Problems at the EniChem chemicals subsidiary, which lost L1,560bn in 1992, were largely responsible for last year's Eni group losses, which compared with net profits of L1.051bn in 1991. Poor performance in chemicals wiped out earnings at Eni's profitable Agip and Snam oil and gas subsidiaries.

Mr Meanti said other parts of Eni's activities were likely to do better this year, with higher earnings in engineering and services and some improvement in the lossmaking metals and mining division.

This year's results will also be overshadowed by heavy restructuring costs linked to the group's concentration on its core businesses, and sales of non-strategic operations.

The group has already announced a string of asset sales, the biggest of which is the Nuovo Pignone turbines and compressors subsidiary. Other disposals, mainly of relatively small business units, are expected to raise about L2,700bn for EniChem by the end of 1994 and about L1,000bn for the Agip Petrol subsidiary.

Eni, which has been severely implicated in Italy's political corruption scandal, is also trying to ascertain the size of kickbacks and other off-balance sheet payments.

● Banca Commerciale Italiana, one of Italy's biggest banks, said Mr Vincenzo Palladino, its deputy chairman, had resigned.

Mr Palladino, a prominent Milan lawyer, was arrested last month in connection with allegations of corruption regarding the former Enimont chemicals joint venture between Eni and the private-sector Montedison group.

Sedgwick raises £143.7m for acquisitions

By Andrew Jack in London

SEDGWICK, one of the UK's biggest insurance brokers, yesterday launched a £143.7m ($214m) rights issue to fund two acquisitions.

The main target is Noble Lowndes, the employee benefits consultancy, which Sedgwick has has agreed to buy from TSB Group for £110m. Funding will come from a one-for-five rights issue of 90.7m shares at 165p each. In London, the company's shares closed down 15p yesterday at 191p.

The announcement came as the group unveiled pre-tax profits up 4 per cent to £54.1m in the six months to June 30.

Mr Stuart Tarrant, group finance director, said of the Noble Lowndes purchase: "We have always said we want to develop this side of the business. I think we are buying it on very good terms."

The group has also agreed in principle to buy Arvid Bergvall, a Scandinavian marine insurance broker, for a maximum of NKr196m ($26.6m). Up to 90 per cent of the purchase will be satisfied in cash, with the rest in Sedgwick shares.

Noble Lowndes is based in the UK and employs 2,750 in 44 locations around the world. Its services include pensions advice, employee benefits and personal finance consulting. Pre-tax profits were £11.5m in the year to October 31 1992.

Mr Tarrant said all Noble Lowndes' senior management would be transferred except Mr Carl Daniels, the current chairman and chief executive, who was retiring.

Transamerica International, which owns 24.1 per cent of Sedgwick, supported the issue and will partially subscribe, reducing its stake to 21 per cent. The issue is fully underwritten by N.M. Rothschild and S.G. Warburg.

Sedgwick's interim turnover rose to £379.6m, compared with £323.3m last time. Earnings per share increased by 0.1p to 7.5p and the dividend remained unchanged at 3p.

Pre-tax profits from insurance and reinsurance rose to £55.7m from £55.3m, and from employee benefits consulting to £5.4m, against £3.3m. Profits from insurance underwriting fell to £0.3m from £0.7m and the Lloyd's underwriting business made a loss of £0.4m, from a loss of £0.7m last time.

Lex, Page 12; Details, Page 18

Dell Computer posts first loss

By Louise Kehoe in San Francisco

DELL Computer, the personal computer manufacturer, reported its first quarterly losses after charges of $71m to cover restructuring, inventory write-offs and other adjustments for delayed and cancelled products.

Losses for the quarter were $75.7m, or $2.03 a share, compared with net income of $21.9m, or 57 cents, in the same period last year. Revenues rose to $701m from $458m.

Dell, until now one of the fastest-growing companies in the computer industry, had previously acknowledged problems with the development of notebook computer products and announced plans for restructuring charges. The company had projected net losses of $1.65 to $1.85 a share for the second quarter.

Other factors contributing to the second-quarter loss included a "significant sell-off of excess inventory at substandard (profit) margins," the company said, as well as a higher than expected product backlog at the end of the quarter.

The company had previously announced that if a loss were posted for the quarter, it could be in default of conditions on its revolving credit facility. Those conditions have been restructured, the company said yesterday.

"We expect to return to profitability in the third quarter," Mr Michael Dell, chief executive, said.

For the first half, Dell reported revenues of $1.37bn, up from $824m in the same period last year.

Net losses were $65.5m, or $1.76 a share, compared with net income of $41.7m, or $1.09.

Degussa tumbles 26% to DM121m

By David Waller in Frankfurt

DEGUSSA, the metals, chemicals and drugs group, yesterday warned there will be no recovery in group profits in the last quarter of the financial year as it reported a fall in pre-tax earnings by 26 per cent to DM121m ($70.3m) in the nine months to the end of June.

The group blamed the decline on reforms in the German healthcare sector, combined with the effects of the worldwide recession on its metals businesses.

It said it saw no hope of a recovery in the world economy in the latter months of the financial year. It said there was no way it would be able to catch up the shortfall in profits in the rest of the financial year.

In contrast to the fall in earnings, group sales rose strongly, up by 13 per cent to DM10.7bn. But Degussa said that the bulk of the increase was due to sharply increased precious metals trading and sales together with changes in the companies included in the consolidated figures.

Stripping out these factors, turnover would have been just below the level of the comparable period last year, Degussa said.

Losses in the metals division – which accounts for just over one-third of group turnover excluding precious metals – were "markedly higher" than last year, Degussa said, reflecting weak demand amid the recessionary environment. There was a slight improvement in profits from the chemicals division. In the healthcare division profits were "substantially below" prior-year figure.

Degussa, which has reduced its total number of employees from 33,500 to 31,760 over the year to the end of June despite a number of acquisitions, vowed to maintain its programme of cost-reduction and restructuring.

● Wella, the German haircare and cosmetics group, reported that group profits climbed by 3 per cent to DM66m from DM64.1m in the first six months of the year, whilst profits at the parent company dropped by 1.7 per cent to DM29m.

● Escada, the German fashion group, expects to make a profit for the 1993 full year, Reuter reports. This follows an operating loss of DM10m to DM15m in the first six months of the year, according to Mr Wolfgang Ley, chief executive.

ISS plans issue to fund purchase

By Hilary Barnes in Copenhagen

ISS, Denmark's international cleaning services group, plans to make a share issue in the first half of next year, according to the group's first-half interim report.

The issue will help finance the acquisition earlier this year of the US cleaning company, National, from Britain's NuSwift for $93m.

ISS's first-half sales were DKr5.90bn, up from DKr5.58bn last time.

Operating profits fell to DKr233m from DKr253m, profits after net financial items to DKr145m from DKr168m and consolidated net profits to DKr88m from DKr121m. Earnings per share fell to DKr3.67 from DKr4.64.

Freeze on Gucci stake is lifted

A NEW YORK judge has lifted the temporary freeze on the stake of one of the two partners in Gucci, the Italian luxury goods group, writes Haig Simonian. The judge removed the block on the 50 per cent stake owned by Mr Maurizio Gucci, grandson of the group's founder, requested last month by Investcorp, the Bahrain-based merchant bank which owns the remaining shares.

Investcorp had sought the freeze pending the resolution of an arbitration case it had brought against Mr Gucci.

Overseas operations help boost Hunter Douglas

By Ronald van de Krol in Amsterdam

HUNTER Douglas, the Dutch maker of venetian blinds, said better results in North America and Australia more than compensated for a downturn in continental Europe during the 1993 first half. The company was able to raise net profits 16 per cent to Fl 26.9m ($13.8m).

Improvements in Australia and New Zealand reflect lower costs due to recent restructuring, while North American operations were aided by last year's rationalisation, plus a strengthening of the economy.

Hunter Douglas, which also produces architectural products such as roof systems, said it was cautiously optimistic about the rest of the year, due partly to the rise in the US dollar. The company has reported lower annual results since 1990.

It blamed a 1.1 per cent fall in sales in the first half, to Fl 849m, on currency movements.

INTERNATIONAL CAPITAL MARKETS

Better-than-expected PSBR boosts long-dated gilts

By Sara Webb in London and Patrick Harverson in New York

THE COMBINATION of better-than-expected borrowing figures and general enthusiasm over the inflation outlook helped to boost long-dated UK government bonds by three-quarters of a point yesterday.

Short-dated gilts were little changed as the market's attention shifted away from hopes of an imminent cut in the base rate to dwell on the good inflation background and yesterday's release of the July Public Sector Borrowing Requirement figure.

GOVERNMENT BONDS

The PSBR figure of £1.5bn was below market expectations (which had been in the region of £1.8bn to £1.9bn), helped by proceeds from the sale of shares in BT3.

Economists pointed out that the latest *Confederation* of British Industry survey, published yesterday, indicated economic recovery without the threat of a pick-up in inflation, a scenario which was warmly welcomed by the gilt market.

The Liffe gilt futures contract opened at 113.01 and reached a high of 113.24 before slipping back to 113.21 by late afternoon. With the rally concentrated among longer-dated stocks, the gilt yield curve flattened.

■ FRENCH government bonds ended lower on the day, despite the Banque de France's half-point cut in the overnight rate to 8.75 per cent yesterday morning.

While the franc strengthened on the news, the bond market sold off as both domestic and international investors took profits.

Elsewhere in Europe, the German bond market closed higher on the day, more than making up for early weakness. The Liffe bund futures contract opened at 97.15, and rose to a high of 97.37 before ending at around 97.35.

■ *MR JOHN* Dawkins, the Australian Treasurer, forecast higher-than-expected inflation in his budget speech yesterday, putting a dampener on the Australian government bond market.

Mr Dawkins said the consumer price index (CPI) was expected to rise by 3.5 per cent in the 1993–94 fiscal year. Dealers said the market had expected a CPI rise of between 2.5 and 3.0 per cent.

Bond prices fell on the news, with the yield on the 9.5 per cent bond due 2003 rising to 6.87 per cent, from 6.80 per cent just before the budget speech.

The Australian government projected a budget deficit of A$16bn for the year ending June 30 1994, widening from a revised deficit of A$14.6bn in the 1992–93 fiscal year.

■ JAPANESE government bonds saw volatile trading, taking their cue from the yen, but ended little changed on the day.

The Japanese currency strengthened to a post-war high of Y100.25 to the US dollar, before slipping back.

The yield on the benchmark No 145 issue opened at 4.065 per cent and traded in a range of 4.03 to 4.11 per cent before ending at 4.07 per cent.

In the futures market, the December contract reached a high of 111.22, and ended Tokyo trading little changed at 110.90 but slipped back in London to 110.72.

■ *US TREASURY* bond prices were mixed across the maturity range yesterday morning as the long end outperformed the rest of the market on anticipation that the Federal Reserve will add reserves to the system.

By midday, the benchmark 30-year government bond was up $\frac{3}{8}$ at 99$\frac{3}{32}$, yielding 6.283 per cent.

At the short end of the market, the two-year note was weaker, down $\frac{1}{16}$ at 100$\frac{3}{32}$, to yield 3.980 per cent.

The market lacked a firm direction in subdued morning trading, but longer-dated securities continued to post solid gains, leading to a further flattening of the yield curve. The gains sent yields on the 30-year bond to record lows.

FT FIXED INTEREST INDICES

	Aug 17	Aug 16	Aug 13	Aug 12	Aug 11	Year ago	High *	Low *
Govt Secs (UK)	102.31	102.10	107.93	107.71	101.93	88.82	102.31	93.28
Fixed Interest	124.23	123.81	122.86	122.56	122.31	105.23	124.23	106.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1926.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 124.23 (17/8/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Aug 16	Aug 13	Aug 12	Aug 11	Aug 10
Gilt Edged Bargains	99.8	117.4	132.1	141.4	117.4
5-Day average	121.5	128.4	130.8	132.8	129.4

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	119.2804	+0.237	6.81	6.80	7.06
BELGIUM		9.000	08/03	112.8000	-0.100	7.11	7.09	7.02
CANADA *		7.500	12/03	103.8250	+0.050	6.97	6.93	7.09
DENMARK		8.000	05/03	106.8000	+0.400	6.78	6.78	7.16
FRANCE	BTAN	8.000	05/98	108.6011	-0.133	5.80	5.71	6.09
	OAT	8.500	04/03	115.0300	-0.200	6.36	6.40	6.70
GERMANY		6.500	07/03	101.3650	+0.240	6.31	6.36	6.51
ITALY		11.500	03/03	110.4050	+0.030	10.03†	10.35	10.96
JAPAN	No 119	4.800	06/99	104.9827	+0.023	3.78	3.82	4.01
	No 157	4.500	06/03	102.1605	-0.036	4.19	4.14	4.26
NETHERLANDS		7.000	02/03	105.4900	+0.070	6.21	6.18	6.34
SPAIN		10.300	06/02	105.1000	+0.373	9.41	9.59	10.22
UK GILTS		7.250	03/98	103-26	-	6.28	6.36	6.71
		8.000	06/03	108-10	+13/32	6.82	7.02	7.46
		9.000	10/08	115-25	+19/32	7.26	7.46	7.86
US TREASURY *		5.750	08/03	100-15	-1/32	5.69	5.76	5.88
		6.250	08/23	99-16	+17/32	6.28	6.45	6.54
ECU (French Govt)		6.000	04/03	108.0300	+0.300	6.89	6.99	7.10

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Globex backers split over withdrawal of Liffe from talks

By Laurie Morse and Tracy Corrigan

THE LONDON International Financial Futures & Options Exchange's exit from discussions to join Globex last week has split the three backers of the electronic after-hours futures trading system.

The Chicago Board of Trade's refusal to let Liffe list its German bund contract on Globex has angered its Globex partners, the Chicago Mercantile Exchange and Reuters, the electronic information group, prompting speculation that Reuters may seek other exchanges to become primary partners in the system.

Although the CBoT and the CME control Globex's content and development, Reuters has invested an estimated $78m in the system, which it intends to recover from transactions fees.

Liffe, with its lively trade in bund and Euromark futures would have added much-needed volume to Globex. The CBoT intends to trade bund futures on its own trading floor sometime in the future.

Describing the current situation as "volatile", Mr Nick Durlacher, Liffe's chairman, said the exchange was ready to re-open negotiations with Globex if the issue of listing Liffe's bund contracts were resolved.

In letters to Mr Patrick Arbor, the chairman of CBoT, Reuters and Mr Jack Sander, CME's chairman, have suggested that the CBoT's action was self-interested and at odds with Globex's goals.

"We believe the position on bund contracts you have taken with Liffe is inconsistent with the Globex agreement," a Reuters executive wrote in a letter to Mr Arbor on August 2, a week before the Liffe discussions were terminated.

In a reply to Reuters, Mr Arbor, wrote: "In considering the best interest of the Globex system, the Board of Trade is not required to ignore its own best interests." Mr Arbor could not be reached for comment yesterday, but Mr Thomas Donovan, CBoT's president, said the exchange remained committed to Globex.

During its first year of operation, which ended in June, Globex had volume of 1.294m contracts, far below projections. Half of that volume originated on Matif, the French futures exchange. The CME generated two-thirds of the remaining volume, with the CBoT the smallest contributor.

It is unlikely that the North American exchanges will be able to meet a contractual agreement with Reuters to produce 50,000 or more in volume per night by April 1994. If that goal is not met, Reuters or the exchanges will be free to terminate the contract. If so, Reuters could seek other partners in the system.

Denmark expected to launch tightly-priced $1bn FRN

By Antonia Sharpe

THE INTERNATIONAL bond market expects the Kingdom of Denmark to launch an aggressively-priced $1bn issue of four-year *floating*-rate notes (*FRNs*) today.

Mr Niels Sorensen, head of the foreign debt department at Denmark's National Bank, confirmed that the notes would pay interest below the London interbank offered rate (Libor) but declined to say by how much. The market expects the coupon to pay up to $\frac{1}{8}$ of a point below Libor.

Mr Sorensen declined to say which bank had been awarded the mandate for the offering, Denmark's third transaction in the international bond issue in as many weeks.

The proceeds from the notes will be used to replenish the country's foreign exchange reserves. They were depleted by heavy currency intervention in recent weeks to help restore stability to the European exchange rate mechanism.

Yesterday, the Province of Ontario and the European Investment Bank (EIB) succeeded in *raising cheaper funding* than usual when they swapped the proceeds of two international bond issues which raised £255m and C$500m respectively.

INTERNATIONAL BONDS

In what is known as a "back-to-back" or "parallel" deal, Ontario and the EIB used their rarity value in the sterling and Canadian dollar sectors to achieve fairly aggressive terms on their seven-year offerings.

The two borrowers then ultimately took on the other's liabilities, so that Ontario ended up with Canadian dollars and the EIB with sterling at much lower interest rates than they would have done had they raised the funds directly in the market. Both borrowers were believed to have achieved a saving of at least 10 basis points.

Officials at the joint lead managers, BZW and Salomon Brothers, said that demand for both bond issues was good but that Ontario's bonds were selling faster because of the current lack of supply in the Eurosterling market.

As a result, when Ontario's bonds were freed to trade, their yield spread over the 9 per cent UK government bond due 2000 tightened to around 32 basis points from 35 basis points at pricing.

However, the yield spread over the underlying Canadian Treasury on the EIB's bonds widened to around 14 basis points from 12 basis points at pricing.

Officials at Ontario's borrowing department said that after yesterday's transaction the province had completed just over half of its C$10bn borrowing needs for fiscal 1993.

The State Bank of New South Wales also tapped the Canadian dollar sector with a 10-year, C$150m offering which was priced to yield 52 basis points over the underlying Canadian Treasuries. The deal was arranged by Merrill Lynch, which also lead-managed a $200m issue of FRNs for Finnish Export Credit.

An official at Merrill Lynch said that the notes were likely to be taken up by holders of an earlier FRN issue by the same borrower, since those notes are expected to be called in December 1994.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Finnish Export Credit(a)‡	200	(a)	99.8R	Aug.1997	0.17R	-	Merrill Lynch Intl.
Stars IV, Cayman Is.‡	120	(b)	100R	Dec.1998	-	-	Kidder Peabody Intl.
Brombril, Brazil(c)ф	93	8#	100R	Aug.1998	2.75R	-	Banque Indosuez
Fujita Corp. USA‡	50	(d)	100R	Sep.1997	0.2R	-	Sakura Finance Intl.
D-MARKS							
Council of Europe(e)	150	7	100.7	Sep.1995	1.3	-	Trinkaus & Burkhardt
STERLING							
Province of Ontario	255	6.875	99.069R	Sep.2000	0.3R	+35 (9%-00)	BZW/ Salomon Brothers
YEN							
Marubeni Intl. Finance‡	5bn	(f)	100	Aug.1994	-	-	Sanwa International
CANADIAN DOLLARS							
European Investment Bank	500	6.625	98.64R	Sep.2000	0.3R	+12 (g)	BZW/ Salomon Brothers
State Bank of New South Wales	150	7.5	99.266R	Sep.2003	0.55R	+52 (7¼%-03)	Merrill Lynch Intl.
GUILDERS							
ING Bank	400	7	100.75R	Sep.2003	0.36R	+29(6¼Sep07)	ING Bank
ECUS							
Compagnie Bancaire(h)	200	6.5	99.6R	Sep.1998	0.325R	+32½(7¼%-98)	Paribas Capital Markets
SWISS FRANCS							
Bayerische Vereinsbank	150	4.825	102.375	Sep.2003	-	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Callable on interest payment dates from Aug.1995 at par. Coupon pays 3-month Libor flat. b) Coupon pays 3-month Libor + 0.5%; maximum 12%. c) Series A notes. Denom.: $50,000 + 1,650 warrants; each warrant gives holder the right to subscribe for preferred shares at $30.35 per 1,000 shares. Puttable on 26/8/96 at 90%. Series B notes of $57m were issued to major shareholder with identical terms except warrants are exercisable into common shares. d) Coupon pays 6-month Libor + 0.325%. e) Issuer has the choice of redeeming each DM10,000 bond at face value or $6,000 conditional on the DM/$ exchange rate not exceeding 1.85. f) Coupon pays 3-month Libor + 0.1%. g) Spread is over interpolated yield curve. h) Spread is over French BTANs.

Japanese telecoms group to be listed on Tokyo SE

By Emiko Terazono in Tokyo

DDI, the Japanese tele communication company, will list its shares on the second section of the Tokyo stock exchange early next month.

The company is one of the two private long-distance telecom companies set up after the liberalisation of the long-distance carrier market. It is capitalised at Y10.8bn ($107m) and has 177,222 outstanding shares. DDI's shareholders include Kyocera and Sony.

Ahead of the TSE listing, the company will float a total of 15,000 shares, and will accept bids on August 23 starting at Y2.27m per share for 7,500 shares for a competitive auction to be held the following day.

DDI said the price was based on valuations of Nippon Telegraph and Telephone, the partially state-owned telecom company, and KDD, the international telecom company.

The remaining 7,500 shares will be offered at a weighted average price from August 27 to August 30.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on August 17

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	51	21	9
Other Fixed Interest	3	0	12
Commercial, Industrial	363	224	835
Financial & Property	221	99	494
Oil & Gas	15	18	48
Plantations	0	0	8
Mines	37	27	70
Others	18	69	38
Totals	706	458	1,514

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
120	F.P.	-	147	125	Babcock	140	-	-	-	-	-
†150	F.P.	-	185½	150	British Telecom (P/Paid)	153	-2½	R15.6	1.4	4.4	20.9
100	F.P.	-	99	94	Dunedin Japan Inv	98½	-½	-	-	-	-
-	F.P.	-	56	38	Do Warrants	55	-	-	-	-	-
-	F.P.	-	5	3½	Explaura A	5	+1¼	-	-	-	-
-	F.P.	-	153	146	Fleming Smlr Co's. C	153	-	-	-	-	-
65	F.P.	-	79	75	Flying Flowers	75	+1	R01.5	3.2	1.7	17.7
100	F.P.	-	107	94	Robinson Emrg Mkts	103	-	-	-	-	-
-	F.P.	-	65	55	Do Warrants	55	-	-	-	-	-
100	F.P.	-	110	101	Lazard High Inc Tst	110	+½	-	-	-	-
-	F.P.	-	68	52	Martin Currie Pac Wts	67	-	-	-	-	-
120	F.P.	-	137	127	Quadrangle	136	-	RN4.5	2.2	4.1	14.8
-	F.P.	-	24	18	Region Warrants	23	-1	-	-	-	-
-	F.P.	-	109	101	Second MSSC	103	+1	-	-	-	-

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
5	Nil	25/8	¾pm	¼pm	Alliance Res.	½pm	-⅛
40	Nil	13/3	11½pm	2pm	Bardon	10pm	+½
10	Nil	20/8	5½pm	2½pm	Britton	5pm	+½
10	Nil	27/9	2¼pm	1pm	Business Technology	2¼pm	+¼
75	Nil	3/9	20pm	3pm	Cussins Property	20pm	
127	Nil	13/9	25pm	18pm	Headlam	25pm	
6	Nil	1/9	3½pm	2½pm	Northumbrian Foods	3pm	
275	Nil	17/9	31pm	18pm	Skillaw	28pm	+1
240	Nil	22/9	40pm	34pm	TT Group	34pm	-2
10½	Nil	27/9	1½pm	1pm	Williers	1pm	-⅛

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Aug. 9
- Last Dealings Aug. 20
- Last Declarations Nov. 11
- For settlement Nov. 22

3-month call rate indications are shown in Saturday editions.

Calls: Aminex, Aran Energy, Cons. Murchison, Dobson Park, JF Jpan Wts., Medeva, Pacer Systems, Pelon, Seafield Res., Shoprite, Tadpole and Tomorrows Leisure. Put: UK Land. Put & Call: Simon Engineering.

FT-SE ACTUARIES INDICES

LIFFE EQUITY OPTIONS

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

Results from two motor distributors illustrate industry recovery

Evans Halshaw jumps to £3.7m

By Paul Cheeseright, Midlands Correspondent

EVANS HALSHAW, the West Midlands-based motor dealing group, is seeking significant acquisitions as its trading performance improves sharply.

Pre-tax profits for the six months to June 30 were £3.73m, compared with £1.51m, on turnover of £189.1m (£169.2m). Earnings per share were 11.3p (4.6p). The interim dividend goes up to 3.8p (3.6p).

Although the rise in profits was higher than market estimates, it emphasised a growing trend in the motor dealing sector. Rival groups Lex and Cowie have both recently announced improved results.

Mr Geoff Dale, chairman, was confident that improved trading would continue. August, the new registration month, is "very positive" with group sales 15 per cent higher than the same month of 1992 and the market, he said, "is more consistent now, not just in car sales but across the business." Overall car sales have been 20 per cent higher than last year.

During recession, the group continued to invest, in, for example, motor villages where several franchises are grouped together, while, at the same time, bearing down on costs, helping it move into recovery with a lower cost base.

Organic growth would continue, Mr Dale promised, "while we step up our search for the right major acquisitions." Potential purchases will be judged against three criteria.

They will have to fit into the geographical pattern of the group's business; they will have to hold franchises which fit the existing blend – not being dependent on any one car maker, and they will be quality businesses with a local reputation and adequate showroom and technical facilities.

Evans Halshaw is one of the six largest UK motor dealing groups, but is probably only half the size of Lex, which itself has been expanding with tha purchase of Arlington and Lucas Autocentres. Cowie too has made a recent acquisition.

With the larger motor trade groups in expansive frame of mind, Mr Dale sees the industry becoming less fragmented. Given that the car makers also have substantial interests at the retail end of the market, he opened up the possibility of the smaller and medium-sized companies being squeezed between them and the acquisitive larger groups.

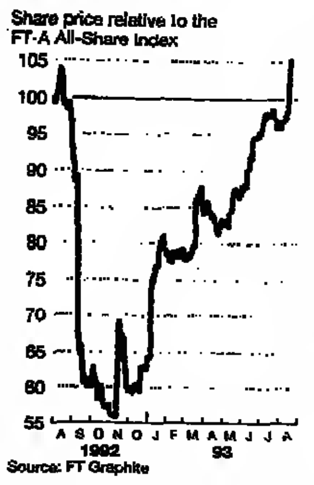
The rise in car sales – new model sales will probably finish 10 per cent higher in 1993 than in 1992 – can have a quick effect on the financial position of companies in the trade. Servicing and parts sales make up the base of their business – 74 per cent of Evans Halshaw's mix last year but 62 per cent so far this year as car sales rise. The new and used car trade is the jam on the bread and butter.

But the jam is not being evenly spread. This is clear from Evans Halshaw's business which is spread over 42 dealerships and 17 marques.

Dealerships south of the M4 motorway are finding trading the most difficult. The Ford franchises are doing less well than the Rover, Vauxhall and Peugeot franchises. With the exception of Jaguar, the luxury end of the car market remains sluggish.

Evans Halshaw

Share price relative to the FT-A All-Share Index



Source: FT Graphite

Quicks ahead despite patchy sales

By David Blackwell

QUICKS, the Manchester-based motor distributor which returned to the black last year, continued its recovery with a 24 per cent rise in pre-tax profits for the first half of 1993.

They came to £1.38m, against £1.11m. Profits for the whole of 1992 were £2.06m following losses of £952,000 previously.

Mr Alec Murray, chief executive, said that car sales for the first half had been fairly patchy. Margins were down and its was difficult to make money on new cars.

But sales for August, the trade's busiest month, were running 10 per cent ahead of his expectations so far. The second half would be "far better than the 1992 second half, which was nothing short of disastrous."

Mr Murray expected used car sales to be 20 per cent ahead year on year, while the after sales business, which accounted for 75 per cent of profits, was doing well.

The overall market for commercial vehicles remained sluggish, but the trading position of the Iveco Ford and Leyland Daf dealerships was encouraging.

Midland dealerships again improved their profit performances. The group had been awarded its first Japanese franchises.

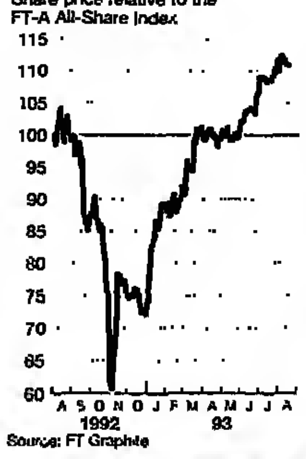
Turnover fell from £99.4m to £98.5m. Last month the group bought Laidlaw for £8.15m; it has five Ford dealerships in Scotland, Kent and Essex and was expected to increase group turnover by 50 per cent.

Earnings per share were increased to 5.2p (4.4p) and the interim dividend is 2p (1.75p).

Analysts suggested yesterday that the group had suffered from its traditional overdependence on Ford, which had lost market share. But management had introduced cost controls and rigorous management systems, and the purchase of Laidlaw fitted in well with the existing business. One described the company as "conservative, well-managed, but not particularly exciting," with a share price still reasonably cheap compared with others in the sector.

Quicks Group

Share price relative to the FT-A All-Share Index



Source: FT Graphite

Continued progress lifts Epwin to £1.75m

By Peter Pearse

EPWIN Group, the maker of PVC-u windows and doors, continued its recent progress with a 34 per cent advance in pre-tax profits to £1.75m in the six months to June 30.

The rise from £1.31m was struck on turnover up 20 per cent at £24.7m (£20.5m). With the exception of the commercial sector, which serves local authorities and the Property Services Agency, volume increases were gained in all the group's other UK markets.

Mr John Townsend, finance director, said that "the mix was essential" to the group's success, which "tracked back to the Telford extrusion plant" which has absorbed some two thirds of the £9.9m capital expenditure programme instigated in March 1992.

"When the volume comes through, you get a return on capital," he said.

Mr Jim Rawson, chairman, said that Epwin had expected a poor winter, partly because of the general economic climate and partly because of the seasonal nature of the group's business.

So the group mothballed the South Wales factory in December with the loss of about 100 jobs.

However, the anticipated decline did not materialise in November, December or subsequently, and the factory was reopened, though with some savings on the wages front.

Mr Rawson said that the pick-up in the market now stretched to eight months and that the group had continued to gain market share.

He added that there was "some level of returning confidence by home owners and their willingness to invest in property improvement".

Earnings per share expanded 14 per cent, from 5p to 5.7p, and the interim dividend is lifted to 2.3p, an increase of 10 per cent on last time's 2.1p.

At the period-end, there were no external borrowings.

Two banks to advise on Brent Walker disposal

Colin Beere

Brent Walker is keen to maintain a significant stake in the William Hill betting shop chain

By Maggie Urry

BRENT WALKER, the property and leisure group, yesterday announced the appointment of two merchant banks to advise it on the possible flotation of William Hill, which might value the betting shop chain at over £500m.

The banks are Hill Samuel, which is Brent Walker's existing adviser, and NM Rothschild.

William Hill has to repay a £350m loan by March 1 1994, and a flotation is one way of raising the money. Brent Walker has received a cash bid of £360m for William Hill from a consortium of investors, led by SG Warburg.

However, Brent Walker is keen to retain a stake in William Hill and had talked of maintaining a 40 per cent shareholding. Bankers believe it would not be possible for Brent Walker to keep more than a small interest or "the sums don't work out," one said. Potential investors are likely to want to see William Hill managed independently from Brent Walker and financially viable on a stand-alone basis.

Brent Walker bought William Hill for £685m in 1989 from Grand Metropolitan but is trying to reclaim £200m of the purchase price.

Fife Indmar £0.4m back in black

By John Murrell

FIFE INDMAR, the Edinburgh-based engineer, yesterday reported a swing from losses of £236,000 to profits of £424,000 pre-tax for the half year to June 30.

The interim dividend is lifted by 0.25p to 0.75p from earnings of 2.7p (losses 1.53p). The shares responded with a 15p rise to 60p.

Referring to the final dividend, which was passed last time, Mr Gavin Hepburn, chairman, said the company was expecting to pay a final but that this depended on the results for the second six months.

He said the positive profit swing of £660,000 was achieved on turnover down 10 per cent at £15.1m. He added that prospects for the remainder of the year "remained encouraging for all four divisions."

There was a continued good performance in the distribution division with profit "considerably ahead of the previous year." Sluggish demand, particularly from the Ministry of Defence, held back electro-mechanical products but the division returned to profit in the opening period.

Engineering achieved break-even and losses in the catering equipment operations were substantially reduced.

NEWS DIGEST

Stonehill expands to £264,000

PROFITS before tax of Stonehill Holdings expanded from £49,000 to £264,000 for the year ended March 31. The results reflected the acquisition of Cathay International United Investments.

With the acquisition the group's activities and operations are focused predominantly on the People's Republic of China. There are significant opportunities to expand in China through acquisitions and joint ventures, and by developing CIU's existing operations at the Landmark Hotel in Shenzhen.

In the UK the group continued to make progress at the Stonehill Business Park and with the management contract relating to the Montpelier Business Park in Ashford.

The furniture division was closed at the end of the year. Turnover from continuing operations was £3.95m (£4.56m) with operating profit at £1.87m (£1.83m). Net interest charges dropped to £1.6m (£1.79m). Earnings per share came to 0.027p (losses 0.042p).

It is planned to reorganise the capital. Preference dividends are in arrears totalling £252,000.

Burmine seeks £3.45m via placing

Europa Minerals, the UK mining finance house which is in merger talks with Burmine – the Australian gold mining company in which it has a 38.5 per cent stake – has announced that Burmina is to raise £3.45m with a placement of 1.5m fully paid ordinary 50 cent shares with Australian and UK financial institutions.

The placement has been made at a share price of A$2.30 (107p).

The money will be used to fund exploration drilling and development at the company's Copperhead, Golden Pig and Fraser mines in Western Australia and to provide additional working capital.

As a result of the placement the issued capital will increase from 17.5m to 19m fully paid ordinary 50 cent shares.

Rolls-Royce reduces foreign held shares

Rolls-Royce, the aero-engine manufacturer, has reduced the number of foreign owned shares below the maximum 29.5 per cent level permitted by its articles of association.

In July, foreign ownership of its shares rose to 30.19 per cent. The group then warned that new purchases of foreign held shares could be classified as excess.

US Smaller Trust asset value soars

Over the year to June 30 net asset value of US Smaller Companies Investment Trust rose 17.9 per cent in dollar terms, and 50.3 per cent, from 93.9p to 141.1p, in sterling equivalent.

The trust does not hedge currency exposure; the difference is the result of the dollar's appreciation of 27.5 per cent against sterling.

The underperformance against the Russell 2500 and the 2-3 Decile Benchmark emerged largely during the second half, primarily because of the market's preference for "value" stocks compared with "growth" stocks.

Outlook for investment in smaller companies in the US continued to be favourable.

On the revenue side total income was £597,000 (£397,000) and earnings per share worked through at 0.64p (0.54p). The dividend is again 0.3p, although the previous total included a special 0.2p.

Royal Bank extends offer for Adam

The £10.5m offer by the Royal Bank of Scotland for Adam & Company, the Edinburgh-based private bank, has been accepted in respect of 21,341, or 60.16 per cent, of the founder shares.

There were acceptances in respect of 2,200 originator shares (77.19 per cent) and 5.02m ordinary shares (75.26 per cent). The offer has been extended until August 27.

Drug clearance boosts Glaxo shares

By Daniel Green

GLAXO has won US approval for its ondansetron drug to treat patients suffering from nausea that sometimes follows surgery.

The approval could add more than $200m (£134m) a year to the sales of the drug by 1997. Glaxo shares rose 36¼p to close at 558p yesterday as the pharmaceutical sector in London caught up with overnight gains on Wall Street after President Bill Clinton's latest comments on his health care reform ambitions.

Until now, the drug has been limited in the US to patients with nausea arising from cancer chemotherapy rather than anaesthetics used in operations.

Glaxo said it would begin promoting the wider use for ondansetron, sold under the trade name Zofran, later this year.

It is already approved and available for use in 17 countries for post-operative nausea. The US is likely to account for at least half total sales, said Mr Stuart Adkins, pharmaceuticals analyst with Lehman Brothers, the stockbroker.

The drug is one of Glaxo's most important new products. It is one of a small group of big sellers likely to take over from Zantac, the ulcer treatment, as a mainstay of the company's profitability.

Zantac's position as the world's best selling drug is under threat from the expiry of its patents and a patent law suit in the US.

Launched in March 1990, ondansetron had world sales of £163m in the six months to end-December 1992. Although sales are growing quickly, the drug is facing competition from SmithKline Beecham's Kytril, and Navaban, from Sandoz of Switzerland.

Post-operative doses are much lower than for post-chemotherapy. A typical dose of 4mg will cost $17.29 in the US. Chemotherapy doses are between 8mg and 32mg and cost proportionally more.

French purchase boosts Kalon

By Peter Pearse

GREATLY helped this time by its recent French acquisition rather than by its UK side, Kalon, the paints group, maintained the pattern of its growth with a 42 per cent increase in pre-tax profits from £6.16m to £8.73m in the six months to July 3.

Group operating profits rose to £8.76m (£5.93m).

Continuing operations – essentially the UK activities – were ahead 5 per cent to £6.3m on turnover of £56.5m (£50.5m), while Novodec, the French private-label paint maker acquired in February for £22m, pitched in £2.46m on turnover of £19.3m in its five months in the group.

Mr Mike Hennessy, group managing director, said the growth in the UK decorative paints division had come from additional volumes and that Kalon had lifted its market share in the UK retail and trade paints sectors, though margins had fallen.

Prices had come under pressure as a result of the competitive cash-back incentives from the multinational branded paint makers – ICI and Crown – and as competition between the DIY superstores – such as B&Q, Texas and Do-It-All – hotted up.

Mr Hennessy reckoned that, including the cash-back offers, paint prices fell 18 per cent year-on-year, and otherwise were down as much as 25 per cent.

In response to this and a general recession-driven urge for customers to buy cheap, Kalon introduced a range of "budget" products to pick up business at lower price points – "fine-tuning to suit strategy to market conditions", said Mr Hennessy.

On a six-monthly basis, Novodec had lifted its profits 40 per cent on turnover up 22 per cent, and that as "a one-legged animal" in private-label retail paints.

Soon to come are further legs – the introduction of Leyland trade paints into the £500m French trade paints market (the UK's market is £300m), and the launch of trade centres.

The first will open in Lille at the turn of the year and up to four are planned by the end of 1994.

The specialist products division, recently formed after Kalon bought Mangers in November 1992 and Chelec two months later, made £148,000 on turnover of £3m.

Profits in the exports side fell 40 per cent to £197,000 on £2.47m turnover, though there should be an improvement in the second half.

The Spanish operations reduced their losses and are expected to break even over the year.

The interim dividend is lifted 30 per cent to 1.3p, payable from a 29 per cent rise in earnings per share to 4.46p (3.45p).

● COMMENT

Having raced ahead in the past five years or so, UK paints activity, Kalon's core business, is now slowing down. There has been over-capacity and largely paints in the UK have been over-priced. With this in mind, the group's French move seems more impressive now than it did in February and is another feather in Mr Hennessy's cap. Production efficiencies and lower raw material costs may just be the tip of the iceberg in the French operation's medium-term growth potential. If Mr Hennessy and his team can replicate Kalon's operational formula in France, and the feeling is they can, then Mr Hennessy will again earn himself an enormous pay packet in his now famous triennial bonus scheme. Short term, forecasts for the year remain at £19m pre-tax, giving a multiple of about 17. The premium to the market still does not fully value the group.

'Bloody bizarre' goings on at RTZ

By Kenneth Gooding, Mining Correspondent

"BLOODY BIZARRE stuff, isn't it?" said an RTZ official yesterday after reading a Reuter report about the organisation which said it might arrange a bid for the world's biggest mining company.

Mr Raymond Grant, who signed a fax message to RTZ saying a bid was being organised, told the news agency that his group felt mineral wealth should not be controlled by corporations.

"All we do is co-ordinate together for peace for development in the developing world and we believe that mineral wealth is the birthright of each nation," he added. "And we do not believe that the birthright of each nation should be held within a corporate structure."

Mr Grant claimed individuals, companies and countries that were members of his organisation held £200m-worth of RTZ shares.

The market was not panicked by Mr Grant's revelations and the RTZ share price ended unchanged at 687p.

Even so, Mr Grant and his friends would have to find at least another £7bn to buy the group.

RTZ, which has contacts with many environmental and national groups around the world, said it had no previous knowledge of Mr Grant's organisation.

Instead of rushing to hire a merchant bank to mount a bid defence, RTZ passed the fax on to the London Stock Exchange.

The Stock Exchange contacted the UK takeover panel as the fax appeared to breach UK bid regulations.

"We will be investigating," said an exchange official.

Hoskins sale discussions may lead to new directors

By Philip Rawstorne

HOSKINS Brewery, the Leicester-based real ale brewer, said yesterday that its board was "in discussions with a third party which may lead to the appointment of new directors."

In view of the development, the company said Mr Richard Holman, a dissident shareholder, had agreed no further action should be taken for the time being over his request for an extraordinary meeting.

The discussions are believed to involve the sale of most of the 30 per cent shareholding in the USM-quoted company of Mr Barrie Hoar, the chairman, and his family.

Mr Hoar said the family had decided to sell a majority of its stake "provided we can ensure that new management will be in the best long term interest of all shareholders."

He and his brother Robert fought off an attempt by rebel shareholders to remove them from the board last year and have been facing a further challenge from Mr Holman.

Mr Adam Page, former chairman of Midsummer Leisure whose plan to reverse three theme bar businesses into Hoskins collapsed, said he had reached a verbal agreement to buy the Hoar shareholding. However, he had been informed the following day that the family was negotiating with another party.

Bucknall recovery under way as deficit is cut to £1.33m

By Paul Cheeseright, Midlands Correspondent

BUCKNALL GROUP, the quantity surveying, property and project management company, reduced pre-tax losses by 31 per cent in the year to April 30.

Mr Richard Miles, chairman, expects "a return to profitability in the not too distant future."

The pre-tax deficit was £1.33m, reduced from £1.92m last time. Losses per share were 10.5p (13p). No dividend is proposed.

The lower losses and the prospect of a return to profit owe more to cost reductions than to demand in the construction and property markets where the group is taking work on margins which, said Mr Miles, "are hovering around the break-even."

Turnover from continuing operations was £16m, fractionally lower than the year before.

The UK accounts for about 75 per cent of the group's business and domestic operations came back into profit during the second half.

Bucknall is trading profitably in Germany, Hong Kong and the Middle East; but cancelled projects forced retrenchment in France and the cost of this was the main factor dragging on finances last year, just as similar experiences in the UK pulled down the previous year's figures.

Behind expectations of a return to profitability is the absence of sizeable restructuring costs in the current year.

"We are confident that the worst is over for the group," Mr Miles said.

GT Chile Growth Fund shows rise in asset value

Basic net asset value per share of GT Chile Growth Fund stood at $25.39 ($30.79 or $27.54 diluted) at June 30. At August 10 the basic figure had risen to $26.33.

Net income for the half year to end-June totalled $6.98m (£4.68m) compared with $4.47m.

Basic earnings per share emerged at 58 cents (44 cents) and an interim dividend is 60 cents is declared.

For the period of inception of the company, February 1990, to December 31 1992, a dividend of 25 cents was paid.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Britannia Assurance, [illegible], City Centre Restaurants, Dunedin Inc Growth Inv Trust, Horace Small Apparel, M&G Inc Inv Trust, M&G Recovery Trust, North Midland Construction, Richardsons Westgarth, Rosebys, Trade Indemnity.

FUTURE DATES

Interims- Arjo Wiggins Appleton ... Sep. 8; [illegible]

Finals- Aerospace Engineering ... Aug. 23; Dowding & Mills ... [illegible]; TNT ... [illegible]

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Epwin ......int	2.3	Oct 26	2.1	-	6.6
Evans Halshaw ......int	3.8	Oct 16	3.6	-	11.25
Fife Indmar ......int	0.75	Oct 4	0.5	-	0.5
Hanson ......int	2.85‡	Oct 1	2.75	-	5.5
Kalon ......int	1.3	Oct 1	1	-	3.2
Quicks ......int	2	Nov 12	1.76	-	4.6
Sedgwick ......int	3	Oct 25	3	-	6
US Smaller Inv ......int	0.3	Oct 15	0.1	0.3	0.3

Dividends shown pence per share net except where otherwise stated. ‡Third interim: makes 8.55p to date.

An acquisition with logic

Andrew Jack and John Gapper on Sedgwick's purchase of Noble Lowndes

Ashley Ashwood

Sax Riley, chief executive of Sedgwick Group

SEDGWICK GROUP was quick yesterday to defend its proposed acquisition of Noble Lowndes, the employee benefits consultancy, from TSB Group on both price and business logic.

At £110m, the purchase is priced at more than three times the company's net assets of £33.9m and nearly 10 times pre-tax profits of £11.5m in the year to October 31 1992.

But Mr Stuart Tarrant, Sedgwick's group finance director, preferred to stress that the acquisition is for less than the company's turnover during the past year of £122.5m.

Sedgwick argues that Noble Lowndes is an important part of the benefits consulting sector with a strong brand image, which fits in neatly with its own consulting services division. Last year, its own employee benefits consultancy reported pre-tax profits of £8.1m.

Mr Sax Riley, chief executive of Sedgwick, said yesterday: "It has been our stated strategy to develop our business in two clearly defined areas, worldwide insurance and reinsurance, and consulting services. We consider the employee benefits field offers significant potential for long-term growth."

He highlighted the scope for increased business from the budgetary pressures on governments, the changing demographic structure of developed countries and the reviews of employee benefits instigated by many companies as a result.

Mr Tarrant also stressed the potential for considerable cross-selling between Noble Lowndes and Sedgwick's existing clients, particularly in the middle market.

He was also keen to point out yesterday what he believes is substantial scope for improved margins, particularly in the US. "They bought six different businesses in the US, and I'm not sure the rationalisation is fully completed," he said. "Our view of the US is very positive."

Noble Lowndes, which was acquired along with Hill Samuel, the merchant bank, in 1987 did not fit easily into TSB's collection of businesses. Its disposal marks a further step towards the bank's stated intention of concentrating on retail banking and insurance for mass market customers.

Sir Nicholas Goodison, the TSB chairman, emphasised yesterday that Noble Lowndes was a "discreet" business despite being profit-making. "It is a particular type of expertise and a particular culture. It was always relatively small, and there was no obvious synergy for us," he said.

TSB has accelerated the rate at which it has disposed of businesses recently, although Sir Nicholas emphasises that this strategy has been in place for three years. It agreed to sell Swan National Leasing, its vehicle contract hire arm to the leasing business of Midland Bank last month.

The bank has a greater managerial than financial incentive to dispose of businesses. It is already well-capitalised, despite the large losses on lending through Hill Samuel. Its Tier 1 ratio of capital to risk-weighted assets stands at 8.1 per cent – well above international standards.

But the bank has made little secret of wanting to divest businesses outside retail financial services – including Hill Samuel – in order to focus its management on a single type of operation. This would mark a return to TSB's roots as a retail savings bank before acquisitions in the late-1980s.

The bank has already added £58m to its £1.3bn of Tier 1 capital by selling Swan National Leasing; the Noble Lowndes disposal will increase that further. Probably as important, the bank has been seen to achieve a good price despite fairly publicly offering several businesses for sale.

The biggest strategic question for TSB is whether the Noble Lowndes sale is a precursor to that of Hill Samuel. The bank has been trying to re-focus Hill Samuel as a merchant bank, concentrating on corporate finance and advisory services, after removing £1.6bn of poor debt into a separate unit.

Sir Nicholas insisted that yesterday's disclosure was "irrelevant" to Hill Samuel. But the upturn in acquisition activity which the sale signals can hardly be bad for TSB's chances of getting an offer for the merchant bank which satisfies the barrier of returning value to shareholders.

Noble Lowndes under Imro investigation

By Andrew Jack

NOBLE LOWNDES, the employee benefits agency, is under investigation by the Investment Management and Regulatory Organisation, according to the acquisition document circulated by Sedgwick Group yesterday.

It says that last year Noble Lowndes identified possible breaches of Imro rules on "suitability and switching" by two of the consultants in its personal financial services division.

Imro launched a formal investigation in April this year to examine these breaches, to study the effectiveness of compliance systems and controls within the company and to consider the payment of compensation to investors who may have suffered loss.

Mr Stuart Tarrant, group finance director, said Sedgwick was fully aware of the investigation, which he expected to take several more months to complete.

Mr Tarrant said TSB had agreed as part of the sale of Noble Lowndes to provide an indemnity against any disciplinary proceedings that result.

The acquisition document says Noble Lowndes has already implemented and is in the process of implementing further significant changes in its systems and procedures to remedy compliance weaknesses.

Marbaix merges Asquith and Butler to create single machine tool maker

By Andrew Baxter

TWO OF the oldest UK machine tool builders, Asquith and Butler, are being merged into one company by their new owner to create a strong force in one of the most competitive industrial product markets.

Marbaix Lapointe, the machine tool side of Marbaix (Holdings), a family-owned Basingstoke-based concern, has combined the two companies, both based in Halifax, to form Asquith Butler.

The Asquith site will close and the entire company will move on to the nearby Butler site.

The merger is the culmination of a plan by Marbaix to broaden its presence in the machine tool industry, after buying in 1987 the Lapointe broaching machine business.

Last year Marbaix Lapointe purchased Asquith, founded in 1866 and best known for its vertical machining centres.

Asquith had been subject to a management buy-out in 1981.

Then in February it paid a nominal amount to the publicly-quoted B Elliott engineering group for Butler, which makes horizontal machining centres.

Butler was founded in 1868 and had been combined in B Elliott with Newall, the Keighley-based blade-tip grinding business, which was excluded from the sale.

Marbaix was attracted by the strength of the products and the personnel at Asquith and Butler, but because of the recession both companies were losing money.

"We have put together two companies that may not have survived on their own," said Mr Peter Cain, managing director of Marbaix Lapointe, yesterday.

The merger would produce economies of scale and better utilisation of factory equipment.

Asquith Butler will have annual sales of £10m-£11m and about 120 employees – a large company for the machine tool industry. Mr Cain said competition, mainly from Spain and France, was serious, but he believed Asquith Butler would make a profit this year.

EUROMANAGERS TO WATCH

Rule by consensus

Kabi Pharmacia's chief executive exemplifies the Swedish way, says **Christopher Brown-Humes**

AS CAREER moves go, it could hardly have been better timed. In the four years since Hakan Astrom joined Sweden's Kabi pharmaceuticals group, he has shinned up the corporate ladder at the same time as the company has gone through a dynamic period of expansion. Sales have grown 10 times since he took the helm.

In 1989 he was worried the company was too small to survive. Today he sits at the top of Europe's eighth largest pharmaceuticals group and one of the world's top 20 – the jewel in the crown of the food and pharmaceuticals group Procordia.

Astrom, 46, is nothing if not modest about his success. Of his elevation to the post of chief executive in March 1992, he comments it was a fortuitous reshuffle around him that brought him the top job.

"There was no-one left but me for Kabi Pharmacia," he says. Colleagues say the promotion was merited by his intelligence, in-depth knowledge of pharmaceuticals and capacity for hard work.

His tendency towards self-deprecation is part of a manner that is low-key. In conversation Astrom is soft-spoken, undemonstrative and easy-going. He is not outwardly dynamic, comments a colleague, who adds that he is a far less dominant figure within the company than Hakan Mogren, boss of Sweden's other big pharmaceuticals company, Astra. Part of the reason is that Astrom works in the shadow of Jan Ekberg, Procordia chief executive and a former boss of Kabi.

But his manner sits well with a management style that emphasises teamwork and consensus. Management is about getting the "commitment and involvement" of those around you, and not just giving orders, he stresses. "You get the best out of people if they have been involved in the decision-making process and understand why a decision has been taken," he maintains.

Consensus-style management is part of a Swedish tradition and culture. It is a process that extends to the shop-floor through the extensive consultation rights of trade unions.

Astrom does not criticise the process of union involvement. "The unions have the same objectives as management, which is to develop a good company. It is a strength, particularly in periods of change, to know that unions are supportive of a given strategy." He notes that in other countries, managements often use unions as an excuse for not doing things.

He goes further in suggesting that the management of a big international pharmaceuticals group also needs the direct input of its specialists and researchers. "These groups expect to participate in the life of the company, but they also have a lot of knowledge which has to be brought into the management process," he says.

But he admits that this can be cumbersome and time-consuming.

> "It is a strength, particularly in periods of change, to know that unions are supportive of a given strategy"

Unions, for example, are consulted at corporate, divisional and plant level, while Astrom has a monthly meeting with union representatives.

"It's much easier to be a manager in a country where there is more emphasis on giving orders because what you are saying is not really questioned. But it doesn't mean you will reach the right decision. With the Swedish way, you are more likely to have challenges if decisions are not right."

Not everyone is so enthusiastic. As one foreign observer says: "Swedes don't like to take decisions individually, which can mean they are rather weak and slow to make up their minds."

Astrom does not accept this, and points to the current integration of Kabi with the newly acquired Italian pharmaceutical group Farmitalia Carlo Erba to make his point.

"This deal was only completed in May, and yet already we have moved very quickly to get the new management teams in place in all the countries where we will be operating. You can combine both speed and accuracy of decision making with a management style of involvement and commitment," he maintains.

Astrom confesses to being a workaholic – his working day can easily stretch from 8am to 10pm – but he also finds time to pore over management books and articles. One result of his reading has been a new emphasis on time-based management, or a programme called TTM 50 which aims to cut delivery times to market by 50 per cent.

Important as measures like this are, he believes there are dangers in becoming too caught up in internal processes.

"It's very easy to get internally focused, but the key to management is to maintain an external focus as well so that you don't lose sight of the customer, the market and the competitive situation. It's important to establish a strategic direction, so that everyone in the group is heading towards the same goal."

Though clearly a defender of Swedish management style, Astrom believes the Swedes lose out in having a limited number of foreigners in senior management positions, even in the country's big multinationals. It's not surprising, he says, given Sweden's climate, high tax rates and generally low pay levels by international standards. "But it will have to change. Sweden needs to become less insular," he states.

New turmoil awaits Kabi in the autumn as Procordia – which is part-state-owned and part owned by Volvo – is split into its food and pharmaceutical segments as part of a resolution of an ownership dispute between the two main shareholders. Volvo is to take over the food operations, while what is left of Procordia will be vertically integrated with its pharmaceutical and biotechnology businesses. For Astrom it almost certainly means he will be playing second fiddle again to Jan Ekberg, at least in the short term, probably as one of several vice-presidents.

"It is a lesser role," he says without a trace of wounded pride.

"On the other hand the company is much bigger now, and the challenges ahead are tremendous."

These challenges suggest he will remain with the group in the short-term, at least until the Kabi and Farmitalia Carlo Erba integration is complete.

This will take several years and for the moment he is not looking beyond that. "You shape your career path by creating results. If you create results, you will over time be rewarded," he says.

This is one in an occasional series. Previous articles appeared on August 13 and July 19.

Hakan Astrom: a defender of Swedish management style

Seven routes to the top of the tree

Hard work, motivation and a certain something can lead to business success, says **Adrian Furnham**

Success stories of business superstars are certainly as interesting and improbable as the biographies of minor European monarchs or film stars.

Many tycoons can tell the "teaboy-to-managing director" fable of how they made it from humble beginnings to multi-million dollar moguls. Many of these tales are of an occasionally moving, roller-coaster ride through early success, false starts and repeated failure, with the only comparison on this lonely journey being a consistent motivation to succeed.

But by definition, these auto-hagiographies are the enviable stories of success. How people become rich is the stuff of dreams: the hope of every lottery ticket buyer and the fantasy of every gambler. Most people have imagined what they would do if they won the pools. However, no self-made billionaires are such idle time wasters. They have all worked hard, for long periods to find those extremely elusive secrets of success that lead to mega-riches. They are proponents of the adage that "success" comes before "work" only in the dictionary.

The so-called secrets are of course often well known. People who have studied the histories of business achievement have documented various possible routes to the same end – that sweet, distinctive smell of success. A careful examination of the main pathways to company growth has revealed how relatively few they are in number.

Case studies have shown for instance that the success of companies such as Walt Disney, Benetton, Korean Airlines, Federal Express, Hilton Hotels, Gucci and the Mandarin Hotel group were each achieved via different pathways.

Business School researchers such as Simon Tam, at Hong Kong University Business School have argued there are only really seven distinct routes to significant business success.

All hyper-growth firms surveyed appear to fit into one or other of these categories.

All companies following one pathway might experience the same benefits, but they also share the same vulnerabilities.

The seven routes are distinct, although they may exist in various combinations, within large groups or over time. They are:

- The Product Innovation Route: here the business is built on one or more extremely successful, original and unique product. Polaroid and Sony are examples. Products may be as varied as instant noodles to adult magazines, but the companies succeed, after a long period, researching the unique, innovative and, of course, highly desirable product.

> **Most people have imagined what they would do if they won the pools. But no self-made billionaires are such idle time wasters**

- The Technological Innovation Route: here business success lies not in finding a new product, but rather a different way of producing it.

Honda added an engine to a bicycle and Evergreen thought of container ships. Many have, sometimes through luck, discovered a new way to do things. And they have become extremely rich in the process.

- The Relationship Route: all business people know about contacts and networking, but few make it the secret of their success. Khasboggi and Hammer, for example, both became filthy rich by establishing and maintaining highly beneficial relationships with politicians, the military, corporations and royalty.

They certainly believed that God gave us our friends and the devil out relations.

- Exploiting the Rigid Competitor Route: some firms have succeeded by spotting not a gap in the market, but the lazy, inflexible rigid competitor.

Regulatory change and the opening of legal loopholes means that some entrepreneurs have anticipated and used the opportunity.

Freddie Laker, Federal Express and DHL typify those who made their killing by exploiting the complacency of others.

- Turnround Route: some have made it rich by a dramatic and unpredicted turnround of poorly functioning companies.

Individuals have taken weakly functioning organisations and changed then into vigorous, customer-sensitive, dollar-generating companies. Hilton Hotels and First Pacific nicely illustrate this.

- The Market Forces Route: some people are, it seems, super-sensitive to consumers' psychology. Those with the metaphorical ears to the ground of market forces have included Gucci, Saatchi and Saatchi and Lotte.

These highly successful businessmen have capitalised, mobilised and manipulated market forces to their own ends.

- The Exceptional Service Route: There are those, such as Singapore Airlines and the Mandarin Hotel chain whose success is almost entirely attributable to going beyond currently conceivable levels of service.

The potential customer becomes a regular customer and a happy free-advertiser by word-of-mouth for the company.

It is hard work but such companies are proof that it can be done and there are rich pickings once the reputation for service has been won and the prices can be marked.

The problem with all lists or category systems is that the hair-splitter find unclassifiable or combination routes. Others, hoping for fame, devise alternative classification systems. But rather than figure out a perfect and parsimonious nomenclature for becoming rich, it may be better to begin the journey.

Adrian Furnham is Professor of Psychology at University College, London.

PEOPLE

New flightpath for Curt Ekstrom

Curt Ekstrom, general manager of Unisys in Sweden and a founder of Amadeus, one of the two main European airline reservation systems, has been headhunted as the next chief executive of Speedwing Systems. This is the largest division within the Speedwing Group, British Airways' information technology and consultancy services business.

He replaces 54-year-old Malcolm Dillingham, who, after three years in the job, is moving to work on the technical aspects of BA's strategic stakes in Qantas and USAir.

The division provides reservation, airline accounting and yield management systems to other airlines.

Rick Wills, managing director of the Speedwing Group, says that Ekstrom's experience at Amadeus is very valuable as "the basic technology is very similar; it has given him lots of transport industry contacts and both are international companies". Amadeus was set up by Air France, Iberia and Lufthansa and is a direct competitor of Galileo, which is owned by BA and KLM.

"Revenue management products in particular are going to be greatly in demand," according to Wills. The way an airline accounts for receipts from passengers on complicated itineraries using several carriers has a huge impact on cash-flow and hence profits, he argues.

Many of the smaller airlines in the eastarn block use Speadwing raaervation systems, as, closer to homa, does British Midland. Austrian Airlines is among those using the accounting system.

Ekstrom, 51, also goes on the boards of Bedford Associates, Speedwing's US-based software house, and of Speedwing Logica, a joint venture between Logica and BA.

One of the industry's most respected IT professionals, according to BA, Ekstrom worked his way up SAS, to becoma general manager of SAS DATA, the Scandinavian airline's IT arm. He also spent four years in Bangkok, managing Thai Airways' data processing department. He was a founder and the original president and chief executive officer of Amadeus between 1988 and 1990.

Insurance moves

■ Nigel Gardner, formerly finance director, is appointed deputy chief executive, finance and administration, and joins the board of CLERICAL MEDICAL INTERNATIONAL Financial Holdings. Kavin Elson, previously chief accountant, is appointed finance director of CMI's Isle of Man companies. David Schuster is also appointed company secretary for the Isle of Man companies.

Martin Brown has been appointed marketing director funds of CMI Financial Services. Stewart Laver is appointed insurance marketing director (designate); he moves from Eagle Star. Peter Lineham is appointed corporate development director (designate).

Laver's and Lineham's appointments result from the departure of John Ferguson to become regional director, Far East.

Jones moves to Kalon

Alan Jones, 49, has joined Kalon, the paints group, as managing director of the decorative paints division. Formerly he was managing director of Paul's Food Group, which is tha cereals part of Harrisons & Crosfield, the chemicals, timber and building supplies, food and agriculture, and plantations group.

Before that, Jones had been managing director of Adams Foods; indeed Mike Hennessy, Kalon group managing director, says that he has been a managing director for 15 years.

Jones takes over the job, which involves tha day-to-day running of the division, from Hennessy himself, who therefore knew the kind of replacement he was looking for. Hennessy says ha had only interviewed about six people and had been happy to wait until he had found the right candidate.

The appointment will free Hennessy, also 49 and a crucial influence on the rapid growth of Kalon, to concentrate on his role of developing the group as a whole. He is keen to push both tha group's development in continental Europe following the acquisition of Novodec in France and the expansion of the new specialist products division in the UK.

■ Alan Gray has been appointed marketing director of Entec Europe, part of NORTHUMBRIAN WATER GROUP.

■ Georges Nurdin has been appointed financial director of LANDIS & GYR Building Control (UK); he moves from Valeo.

■ John Sharrock, marketing director for Spillers Foods in the UK, has been appointed md of SPILLERS FOODS INTERNATIONAL.

Bodies politic

■ Sir Robin Buchanan has resigned as chairman of Wessex Regional Health Authority in order to concentrate on his role as chairman of the NHS SUPPLIES AUTHORITY to which he has been appointed for a further two years.

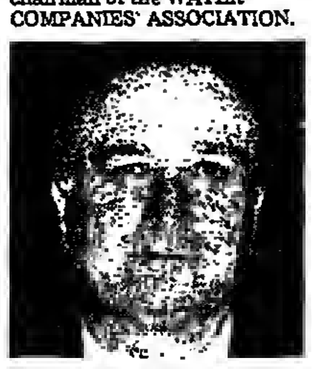
■ Angela Heylin, chief executive of Charles Barker, Baroness Perry of Southwark, Vice Chancellor of South Bank University, and Nick Rawlings, a director of PA Consulting Services, have been appointed members of the CITIZEN'S CHARTER ADVISORY PANEL. Panel members are appointed for two years and give their services on two or three days each month.

■ Derek Pearce, previously director of human resources at Tioxide, has been appointed chief executive of the LEEDS Tec.

■ Derek Kingsbury, chairman of Fairey Group, David Brown and Goode Durrant, has been appointed a vice-president of the DEFENCE MANUFACTURERS ASSOCIATION.

■ Leslie Burrage, deputy md of Hitachi, has been appointed president of the TELEVISION & RADIO INDUSTRIES CLUB.

■ James McGown (below), md of Three Valleys Water Services, has been elected chairman of the WATER COMPANIES' ASSOCIATION.



Germans and Dutch get bulk of CIS aluminium

By Kenneth Gooding, Mining Correspondent

GERMANY AND the Netherlands have been given by far the biggest allocation of aluminium from the Commonwealth of Independent States under the terms of import restrictions imposed last week by the European Commission.

France, from where Pechiney, the state-owned aluminium group, led a campaign for the EC to take action to "safeguard" European producers, can import only 48 tonnes.

Traders complained yesterday that application of the ECrestrictions were chaotic. Germany is already imposing rigid regulations but Italy is still permitting unrestricted imports of CIS aluminium.

Meanwhile, protests about the EC's action continue to grow. Mr Alan Bekhor, managing director of Trans-World Metals, which claims to be the biggest trader in Russian aluminium, said the EC made no attempt to consult the trading houses that handle most of the CIS aluminium exports before taking action. He said the futility of the commission's attempt to limit the free flow of a global commodity was illustrated by the fact that aluminium's price had fallen by $30 a tonne since restrictions were imposed on August 7.

The commission says that only 60,000 tonnes of CIS aluminium may be imported to the EC between then and the end of November. Germany, whose manufacturing industry is a big consumer, has been allocated 26,210 tonnes and the Netherlands – the arrival point for most of the CIS metal coming into Europe – 24,552.

Other allocations include: Denmark and Ireland, nil; Italy 5,778 tonnes; Belgium and Luxembourg 1,254 tonnes; Greece 454 tonnes; Spain 1,548 tonnes; Portugal 306 tonnes and the UK 762 tonnes. Once imported the metal can be freely transferred between EC countries.

Mr Bekhor has written to Sir Leon Brittan, EC commissioner for external economic relations, suggesting that the "imposition of restrictions "demonstrates how far the EC commission has become little more than the instrument of the depressed European producer lobbies".

He points out that, as EC aluminium production totals only 2m tonnes compared with consumption of about 4m tonnes, "the EC proposal will hurt twice as many people as it is presumed to benefit."

Mr Bekhor said yesterday that the commission's decision was based on outdated information. The price of alumina (aluminium oxide) had been deregulated and energy prices were also gradually being freed. Transport costs were rising – it now cost $25 a tonne to ship aluminium from Siberia to the coast compared with $1 under the old Soviet regime.

Significantly, CIS aluminium exports had stabilised at about 1m tonnes a year and the marketing of Russian metal had been so effective that the EC was no longer importing most of it. The bulk was now attracted to Japan and the US, which did not impose the 6 per cent import duty levied by the EC. This trend was accelerated after the US granted CIS republics "most favoured nation status" in June last year.

Western traders had been helping the CIS industry regain stability. For example, Trans-World had provided prepayments to CIS smelters when they were short of hard currency to buy raw materials a year ago.

Mr Bekhor said that aluminium was one of the most robust, profitable and efficient industries in the CIS. Many smelters had plans to improve their processes and to cut pollution. "The EC has made a very bad decision based on a seriously flawed report. The consequences have not been thought through and this will become a very big public issue because it is such a scandal".

Coffee producers pin hopes on export curbs

By Leslie Crawford, Africa Correspondent

AFRICAN COFFEE producers, who have lost more than $1bn a year since the collapse of an international export quota system in 1989, hope their fortunes will be revived by an agreement to withhold 20 per cent of their output, which was signed alongside Latin American producers in Kampala yesterday.

The accord, due to take effect on October 1, will be open-ended. "We intend to maintain the retention scheme until we reach our target price," said Mr Guy-Alain Gauze, the Ivory Coast's coffee minister and chairman of the Kampala meeting. He would not reveal the target price but said stocks would be released slowly on to the market when prices improved.

The success of the scheme will depend on world coffee prices rallying high enough to finance the costs of withholding exports. Each country will be responsible for its own retention scheme. The participants agreed to meet in Brasilia on September 23 and 24 to hammer out the details of policing the plan.

If the plan succeeds, 10m bags of 60 kg will be withheld from the world market during the 1993-94 crop year. Stocks in importing countries were estimated to stand at over 20m bags last March. Half of the stocks are held in the US, with most of the balance in Europe.

The agreement in Kampala was the first to unite coffee producers since the breakdown of the International Coffee Agreement four years ago. It was brought about by dire necessity, as global coffee earnings have fallen to below $6bn from their peak of $11bn in the mid-1980s. Even Indonesia, which has shunned commodity pacts in the past, attended the Kampala meeting as an observer. Indonesian delegates said they supported the principle of retaining production.

"For four years the Ivory Coast has been exporting at a loss," Mr Gauze said. "We could sustain this state of affairs no longer." The Ivory Coast is Africa's biggest coffee exporter, despite a steep decline in production, from 284,000 tonnes in 1989-90 to 192,000 tonnes in the 1992-93 season, according to the US Department of Agriculture.

The 25 nations of the Inter-Africa Coffee Organisation produce about a fifth of the world's coffee. But the slump in world prices and the costly workings of cumbersome state marketing boards have led a growing number of African coffee farmers to abandon their plantations in search of more profitable cash crops. The continent's 1992-93 production of 1.03m tonnes was 18 per cent lower than the 1989-90 crop.

News of the producers' formal adoption of the export retention plan helped to keep the latest coffee price rally going yesterday. The November futures price at the London Commodity Exchange ended $15 up at $1,176 a tonne.

Even before the agreement, African governments were implementing reforms designed to give coffee farmers a better deal. In Kenya, producer of Africa's finest Arabica coffee, farmers have been allowed to keep half their earnings in foreign currency since the beginning of the year. They are no longer forced to market their beans via the state Coffee Board of Kenya. Most of the large coffee estates are now selling their produce directly at the auction houses in Nairobi, cutting the expense of middlemen.

Even so, Kenya's coffee production has shrunk from 125,000 tonnes to 83,000 tonnes in five years.

Uganda's coffee earnings reached a nadir of $93m in 1992, compared with average annual revenues of $300m between 1982 and 1989, according to the Ministry of Finance's budget statement. In a bid to revive the sector, the government abolished export taxes on coffee last year, liberalised producer prices and licensed private traders. Even greater efforts are being expended to diversify exports away from coffee, which still earns 60 per cent of Uganda's hard currency.

Some traders are questioning the benefits of the retention scheme for countries like Kenya, whose fine Arabica coffee fetches a hefty premium on the world market. "Prices this season have reached highs of $250 for a 50 kilo bag," says Ms Bridget Carrington, a trader with C. Doorman in Nairobi. "This is three times the price paid for Colombian or Central American beans."

If prices soar to new heights, Ms Carrington fears world roasters may reduce the proportion of Kenyan coffee in their blends. She believes the retention scheme may have the undesired effect of undermining demand for Kenya's prime produce and depressing exports.

It is also unclear how Africa's cash-strapped governments are going to pay for the build up in withheld coffee stocks.

Mr Peter Ngategize, the research and development manager of Uganda's Coffee Development Authority, believes the financial costs of the retention scheme should be born by exporters. "But the government will probably have to shoulder some of the expense," he says. Private coffee traders are just beginning to establish their business in Uganda and it would be unfair to hit them with huge unforeseen costs.

Mr Ngategize says the retention agreement will only work if the price gains on the world market offset the cost of withholding stocks. But in Uganda's case, he believes higher prices are only part of the solution.

"Our coffee plantations are old and in poor shape," he says. "We have to invest in research and extension services to improve the quality and productivity of our stem bas [farms]."

Other delegates to the Kampala meeting chose to strike a note of caution. "Commodity pacts have had a high failure rate in the past," one participant said. "The retention scheme is a temporary solution, with problems of sustainability."

Floating krone lifts Danish farm prices

By David Gardner in Brussels

THE EUROPEAN Commission yesterday raised Danish farm prices by 2.2 per cent, as part of the system for frequent adjustment of "green" currency rates adopted in the wake of the August 2 decision to set 15 per cent fluctuation bands for the European exchange rate mechanism currencies.

The new agrimonetary dispensation recognises all EC currencies as floating within a wide 15 per cent band, and the commission now reviews farm price conversion rates every three trading days. If the monetary gap between any two member states exceeds 6 per cent during these periods, either or both of the currencies get their green rate changed if individually they have revalued or depreciated by more than two percentage points.

The current adjustment, based on trading on August 12, 13 and 16, is to plug the gap between the Dutch guilder, which commission figures show appreciating by 1.92 per cent against its central rate, and a krone depreciation of 4.29 per cent. The green krone was revalued by 0.8 per cent on August 11, along with the agricultural conversion rate for the French franc, which rose by 1.8 per cent.

Prior to the latest turmoil in the ERM, the Commission was reviewing green rates about three times a month, but purely for the weaker currencies inside the ERM, the peseta and the escudo, and those floating outside it, sterling, the lira and the drachma.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,565-1,610 (1,540-1,600).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.50 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.45-0.50.

COBALT: MB free market, 99.8 per cent, $ per lb, in warehouse, 11.75-12.45 (11.90-12.65); 99.3 per cent, $ per lb, in warehouse, 10.55-11.30 (10.00-10.90).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 100-115 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.35-2.45 (2.30-2.40).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.55-5.30 (4.70-5.40).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 20-33 (23-35).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.30-1.40 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 6.90 (7.00).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes		
Aluminium	+21,325	to 2,022,375
Copper	+6,475	to 486,400
Lead	-550	to 270,175
Nickel	+732	to 104,424
Zinc	+6,450	to 738,050
Tin	-100	to 21,290

Lithuanian land reform yields crop of problems

Undersized farms are unable to meet output requirements, writes **Matthew Kaminski**

LITHUANIA'S agricultural economy proves the trite maxim that the *trick is in the construction*. Destruction was the easy part.

In 1991, the largest Baltic state started breaking up the collectives. The stated goals were: first, to make a dislocated sector competitive; and, second, to raise output by returning land to former owners.

On both counts, the approach has failed, and not repeating its mistakes may be the lingering lesson for former Soviet-bloc states in similar straits.

Speed was never a problem. The 1,058 collectives were quickly split up into 413,000 plots of no more than 3 hectares each. So far about 80 per cent of state agricultural assets have been privatised. The generous land restitution scheme has created 104,000 new private family farms – in a country of only 3.7m people.

Production plummeted last year. The 1992 grain and potato harvests, for example, were down to *66 per cent and 72 per cent* of the 1991 level respectively. Expectations for 1993, a wet season, are only slightly better. *Other* sectors reveal similar drops.

Lithuanian Crop Yields (tonnes per hectare)	1995(f)	1994(f)	1993(e)	1992	1991	1990	1989
All grains	2.70	2.60	2.20	1.61	3.08	3.00	2.91
wheat (winter)	3.20	2.62	2.68	2.67	3.15	3.39	3.61
wheat (spring)	2.60	2.40	2.30	1.48	2.98	2.55	2.89
barley	2.68	2.44	2.12	1.66	3.25	2.98	2.78
oats	2.20	2.10	2.00	0.82	2.67	2.63	2.24
potatoes	17.00	15.00	14.00	9.60	14.20	14.00	16.10

(f) = forecast (e) = estimated. Source: Lithuanian Ministry of Agriculture.

"The collectives have been destroyed. What instead? No one knows," says Mr Czeslaw Okinczyc, a former member of parliament. "Chaotic agricultural reforms have brought down the industry."

But low output figures, seen across the former Soviet Union, were expected, if not to this extent. Lithuania, under Soviet rule, was assigned to produce surplus meat, milk and poultry products and to depend on grain shipments from other republics, mainly Ukraine. Autonomy does not come overnight.

Western aid – now totalling $48.7m, of which $3.80m comes *from the European Community's* Phare program – is helping to develop private production, free-market principles and broader trading links. These were anticipated problem areas.

The Achilles' heel has been land reform. The state unilaterally promised to restore owners, and their numerous offspring, to their pre-1939 plots. So large tracts of land were broken up into small farms, many of which cannot compete in either the domestic or foreign market.

The average farm size dropped to 9 hectares this summer, but it has not bottomed out. Demand for plots appears to be insatiable: 450,000 applications for land restitution are still pending.

At this rate Lithuania may be severely *crippled. A healthy* agricultural economy, according to western experts, requires average farm sizes comfortably above 10 hectares. Of course, products like strawberries and flowers need little space, but self-sufficiency demands diversity.

"If they continue dividing land for privatisation's sake," says Mr Johannes Ostergaard, an EC consultant at the Ministry of Agriculture, "they'll go down to 6 hectares – and that's not reasonable".

Denmark, a small but developed country, is often used as the benchmark for the Balts. Average farm size in Denmark is about 40 hectares and rising. Lithuania may be wise to match that figure, post-Soviet politics permitting.

The new government, dominated by the old *nomenklatura*, understands the predicament. Parliament recently prohibited division of farmland below 20 hectares. Other forms of compensation now have to be found.

They do not have to look far. In Latvia and Estonia, the other two Baltic states, land was sold to the highest bidders while former owners were compensated with shares in industrial enterprises.

But Lithuanian officials deny that the process went too fast and too far. "We believe people will work better now," says Mr *Virgilijus Skulskis*, privatisation director at the Ministry of Agriculture. "Our people don't understand their enterprises are private yet."

Indeed, psychology rather than economics resonates more powerfully, even among experts. "All farms in the United States and Denmark started small," explains Ms Onute Babraviciene, the country director for the US non-profit group, Volunteers in Overseas Co-operative Assistance.

"They have to feel what it's like to be private. People are so proud to be farmers."

Co-operatives, now a political hot potato, are a possible future solution. Ms Babraviciene, whose group promotes this idea, says "people who can see that's difficult to be alone will be the leaders of the future".

Ultimately, however, the open market may provide the answer. "Farmers with 2 or 5 hectares will not want to be farmers," said Mr Skulskis, who hopes large agribusiness concerns eventually will consolidate many small farms.

Yet with unexpected hurdles put in the way, the transition to a healthy agricultural economy may now take more than the one or two years *originally* expected.

WORLD COMMODITIES PRICES

MARKET REPORT

Lower London Metal Exchange **COPPER** and **ALUMINIUM** prices during the afternoon uncovered good buying interest, which resulted in busy markets and, in copper's case, a final rally. Traders said a late afternoon collapse in copper prices was due to US-based selling touching off liquidation and stop-loss selling orders, which pushed the three months delivery price down to $1,895, against an earlier high of $1,913. But strong buying below $1,900 eventually turned the market and last business was at an unchanged $1,905 a tonne. Aluminium eased to the day's lows in the early afternoon after news that the closure-threatened 263,000-tonnes-a-year Romanian *smelter had only been operating* at 110,000 tonnes a year. The three months position dipped to $1,186 a tonne but good trade buying was evident below $1,190. **COCOA** futures closed lower in London, depressed by another failed attempt in New York to breach key resistance at $1,017 a tonne for the December futures position. The strength of sterling also added to the downward pressure.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$14.87-4.92	+0.12
Brent Blend (dated)	$16.88-6.90	+0.14
Brent Blend (Oct)	$17.16-7.18	+0.12
W.T.I (1 pm est)	$18.42-8.43u	+0.14
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$193-195	
Gas Oil	$162-163	+1
Heavy Fuel Oil	$61-62	
Naphtha	$162-163	+1.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$372.70	-1.05
Silver (per troy oz)♣	473.5c	-4.0
Platinum (per troy oz)	$387.25	-0.50
Palladium (per troy oz)	$138.25	-1.0
Copper (US Producer)	90.50c	+0.60
Lead (US Producer)	34.63c	+1.13
Tin (Kuala Lumpur market)	12.16m	+0.02
Tin (New York)	222.0c	
Zinc (US Prime Western)	82.00c	
Cattle (live weight)†	130.46p	-0.09*
Sheep (live weight)†♠	86.39p	-5.24*
Pigs (live weight)†	73.07p	-0.99*
London daily sugar (raw)	$240.0	-7.3
London daily sugar (white)	$264.8	-0.2
Tate and Lyle export price	£271.0	-9.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£169.5	
Wheat (US Dark Northern)	£147.0	
Rubber (Sep)♥	60.50p	
Rubber (Oct)♥	61.00p	
Rubber (KL RSS No 1 Jul)	211.0m	+0.5
Coconut oil (Philippines)§	$462.5x	
Palm Oil (Malaysian)§	$352.5v	
Copra (Philippines)§	$293.0	
Soyabeans (US)	£135.0	
Cotton "A" Index	54.30	-0.10
Wooltops (64s Super)	349p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul. z-Aug. v-Sep/Oct u-Oct t-Oct/Dec x-Aug/Sep ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR - LCE (\$ per tonne) White	Close	Previous	High/Low	
Oct	256.80	256.50	258.00	255.50
Dec	256.00	254.70	255.50	255.00
Mar	256.70	256.30	258.00	255.70
May	259.20	258.30	259.20	
Aug	264.30	262.80	264.30	
Oct	255.80	253.80	256.00	

White 929 (1749) Paris- White (FFr per tonne): Oct 1536.99

CRUDE OIL - IPE (\$/barrel)	Latest	Previous	High/Low	
Oct	17.16	17.00	17.19	16.96
Nov	17.35	17.26	17.37	17.14
Dec	17.40	17.38	17.50	17.27
Jun	17.62	17.50	17.82	17.42
Feb	17.72		17.72	17.70
Mar	17.83		17.83	17.78
Apr	17.87		17.87	17.80
May	17.31	17.86	17.91	
IPE Index	16.39	17.07		

Turnover 20193 (33689)

GAS OIL - IPE (\$/tonne)	Close	Previous	High/Low	
Sep	161.75	161.75	162.25	160.25
Oct	164.50	166.00	165.00	163.00
Nov	166.50	166.50	167.00	165.00
Dec	166.50	168.75	168.50	167.00
Jan	170.00	170.50	170.50	168.50
Feb	169.25		169.25	
Mar	168.00		168.00	167.00
Apr	166.00		166.00	
Jun	164.25		164.25	162.75

Turnover 9042 (7125) lots of 100 tonnes

COTTON

Liverpool- No spot or shipment sales were recorded for the week ended 13 August, against 64 tonnes in the previous week. Activity was severely restrained and business was on narrow lines. Cost of raw cotton deterred users from increasing their purchases.

COCOA - LCE (£/tonne)	Close	Previous	High/Low	
Sep	756	765	767	752
Dec	779	786	788	776
Mar	798	803	804	796
May	809	812	812	762
Jul	817	820	821	816
Sep	827	829	832	830
Dec	833	842	840	840
Mar	850	854	852	850

Turnover: 315 (8203) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 16 786.51 (731.32) 10 day average for Aug 17 747.28 (745.12)

COFFEE - LCE (\$/tonne)	Close	Previous	High/Low	
Sep	1208	1195	1215	1192
Nov	1176	1161	1188	1170
Jan	1149	1141	1162	1144
Mar	1134	1126	1139	1126
May	1128	1118	1139	1130
Jul	1125	1125	1125	

Turnover: 6118 (2735) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 16 Comp. daily 65.73 (63.83) 15 day average 65.28 (64.97)

POTATOES - LCE (£/tonne)	Close	Previous	High/Low	
Apr	75.9	77.8	77.0	75.9
May	89.0	89.0	89.0	

Turnover 186 (229) lots of 20 tonnes.

SOYAMEAL - LCE (£/tonne)	Close	Previous	High/Low
Oct	168.50	-	166.50
Feb	169.50		169.50
Apr	170.00		170.00

Turnover 95 (0) lots of 20 tonnes.

FREIGHT - LCE (\$10/index point)	Close	Previous	High/Low	
Sep	1483	1490	1500	1480
Oct	1500	1519	1530	1500
Nov	1515	1530	1525	1515
Jan	1525	1550	1532	1525
Apr	1546		1546	
Jul	1320		1305	
BFI	1395	1366		

Turnover 107 (238)

GRAINS - LCE (£/tonne) Wheat	Close	Previous	High/Low	
Sep	104.75	105.15	105.00	104.65
Nov	106.45	106.80	106.80	106.40
Jan	108.45	108.85	108.70	108.35
May	112.50	112.80	112.50	
Barley	**Close**	**Previous**	**High/Low**	
Sep	100.05		100.40	
Nov	103.15	103.55	103.25	103.00
Jan	105.40		105.40	

Turnover: Wheat 348 (212) Barley 137 (2). Turnover lots of 100 Tonnes.

PIGS - LCE (Cash Settlement) p/kg	Close	Previous	High/Low
Aug	98.00		

Turnover:0 (5)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity (\$ per tonne)						Total daily turnover 55,766 lots
Cash	1164-5	1180.5-81.5	1164.5/1164	1164-4.5		
3 months	1187.5-8.0	1204-05	1196/1186	1186-8.5	1187.5-8.0	240,217 lots
Copper, Grade A (\$ per tonne)						Total daily turnover 56,719 lots
Cash	1938.5-9.0	1935-37	1943/1939	1843-4		
3 months	1908-9	1902-03	1914/1895	1811-2	1904-5	199,981 lots
Lead (\$ per tonne)						Total daily turnover 6,530 lots
Cash	387-8	384-85		386.5-7.0		
3 months	400-1	397.5-98.5	403/399	400-1	399-400	24,968 lots
Nickel (\$ per tonne)						Total daily turnover 8,624 lots
Cash	4650-60	4695-700	4670	4660-2		
3 months	4705-10	4750-52	4735/4685	4715-20	4690-5	45,979 lots
Tin (\$ per tonne)						Total daily turnover 3,136 lots
Cash	4825-35	4780-90	4816/4810	4805-10		
3 months	4880-5	4835-40	4880/4840	4855-60	4870-5	10,712 lots
Zinc, Special High Grade (\$ per tonne)						Total daily turnover 25,256 lots
Cash	868.5-9.5	870-71		865-5.5		
3 months	882.5-3.0	884.5	884/880	879.5-80.0	882.5-3.0	51,688 lots
LME Closing £/\$ rate: SPOT: 1.4885		3 months: 1.4788		6 months: 1.4718		9 months: 1.4662

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild) Gold (troy oz)	\$ price	£ equivalent
Close	372.50-372.80	
Opening	372.70-373.20	
Morning fix	372.50	248.832
Afternoon fix	371.60	248.396
Day's high	372.70-373.10	
Day's low	371.00-371.40	

Loco Ldn Mean Gold Lending Rates (Vs US\$)			
1 month	2.55	6 months	2.59
2 months	2.56	12 months	2.61
3 months	2.55		

Silver fix	p/troy oz	US cts equiv
Spot	473.50	317.35
3 months	477.00	321.80
6 months	481.25	326.30
12 months	489.60	334.25

GOLD COINS	\$ price	£ equivalent
Krugerrand	373.00-376.00	251.00-253.00
Maple leaf	383.10-385.50	-
New Sovereign	88.00-91.00	59.00-61.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price \$ tonne	Oct	Jan	Oct	Jan
1175	27	56	21	28
1200	16	43	35	39
1225	9	32	52	53
Copper (Grade A)	**Calls**		**Puts**	
1000	55	80	40	77
1950	33	56	67	105
2000	18	42	101	137
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
1150	57	85	1	59
1200	14	61	8	85
1250	2	44	46	118
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
725	31	69	-	15
750	10	53	4	24
775	1	38	20	34
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
1700	43	69	14	25
1750	19	52	30	44
1800	7	29	59	-

New York

GOLD 100 troy oz.; \$/troy oz.	Close	Previous	High/Low	
Aug	371.6	373.1	372.3	371.0
Sep	372.1	373.6	372.0	372.0
Oct	373.0	374.5	373.9	371.8
Dec	374.8	376.4	375.7	373.7
Feb	376.7	378.2	377.1	376.3
Apr	378.4	379.9	379.0	378.0
Jun	380.2	381.8	0	0
Aug	382.0	383.4	382.0	382.0
Oct	383.8	385.2	0	0

PLATINUM 50 troy oz; \$/troy oz.	Close	Previous	High/Low	
Aug	387.6	388.9	0	0
Oct	388.6	389.8	390.0	387.6
Jan	389.7	391.0	390.5	389.5
Apr	391.2	392.5	391.5	391.0
Jul	391.7	393.0	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Aug	469.8	474.3	0	0
Sep	470.5	475.0	474.0	468.5
Oct	471.8	476.4	0	0
Dec	476.0	479.5	476.0	473.0
Jan	475.4	479.9	0	0
Mar	476.9	484.4	484.0	478.0
May	483.3	487.8	484.0	483.0
Jul	486.5	490.9	489.0	487.5
Sep	489.9	494.4	492.0	492.0
Dec	495.1	499.6	498.0	495.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Aug	84.35	84.50	84.35	84.10
Sep	84.35	84.45	85.10	83.40
Oct	84.40	84.50	84.25	84.25
Nov	84.45	84.55	0	0
Dec	84.50	84.60	85.15	83.70
Jan	84.70	84.80	0	0
Feb	84.60	85.00	0	0
Mar	85.10	68.20	85.60	84.75
Apr	85.25	85.35	0	0
May	85.45	85.55	85.85	85.35

CRUDE OIL (Light) 42,000 US galls \$/barrel	Latest	Previous	High/Low	
Sep	18.03	17.88	18.07	17.78
Oct	18.44	18.30	18.48	18.22
Nov	18.72	18.58	18.75	18.54
Dec	18.90	18.76	18.91	18.72
Jan	19.03	18.90	19.03	18.89
Feb	19.14	18.01	19.15	19.07
Mar	19.22	18.17	19.22	19.13
Apr	10.27	10.15	19.27	10.27
May	18.36	19.25	19.36	10.36
Jun	19.39	18.31	19.44	19.32

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Sep	52.96	52.61	53.10	52.45
Oct	54.05	53.72	54.10	53.46
Nov	55.00	54.72	55.00	54.50
Dec	55.95	55.67	56.00	55.45
Jan	56.60	56.37	56.65	56.20
Feb	56.85	56.57	56.85	56.45
Mar	56.00	55.82	56.00	55.65
Apr	54.80	54.67	54.80	54.60
May	53.87	53.57	0	0
Jun	53.60	53.42	53.60	53.60

COCOA 10 tonnes;\$/tonnes	Close	Previous	High/Low	
Sep	958	960	966	950
Dec	1012	1010	1017	1001
Mar	1047	1043	1047	1033
May	1065	1061	1067	1056
Jul	1085	1081	1080	1080
Sep	1105	1101	1105	1100
Dec	1133	1129	1131	1131
Mar	1156	1152	0	0
May	1174	1170	1170	1170

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Sep	71.00	71.40	72.80	70.40
Dec	74.00	74.35	75.45	73.40
Mar	76.35	76.65	77.56	75.75
May	77.35	77.90	78.40	77.40
Jul	78.65	79.50	79.60	79.40
Sep	79.50	80.00	0	0
Dec	84.15	84.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	9.59	9.20	9.42	9.28
Mar	9.48	9.34	9.49	9.40
May	9.59	9.46	9.59	9.50
Jul	9.65	9.51	9.65	9.65
Oct	9.67	9.56	9.60	9.55

COTTON 50,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	54.56	54.82	55.45	54.50
Dec	55.63	55.81	56.45	55.60
Mar	57.16	57.37	57.95	57.15
May	57.85	58.22	58.85	57.99
Jul	58.60	59.10	59.15	58.60
Oct	59.59	59.85	59.70	59.66
Dec	59.95	60.15	60.05	60.00

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Sep	116.75	118.10	116.90	114.25
Nov	119.80	118.90	120.20	117.40
Jan	121.70	121.00	122.00	118.50
Mar	123.20	122.70	125.25	120.25
May	123.95	123.90	0	0
Jul	124.46	124.35	0	0
Sep	122.46	122.35	0	0
Nov	122.46	122.35	0	0
Jun	122.46	122.35	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Aug.17	Aug 16	mnth ago	yr ago
1823.0	1824.1	1706.8	1559.8

DOW JONES (Base: Dec. 31 1974 = 100)	Aug.16	Aug 13	mnth ago	yr ago
Spot	123.68	123.08	123.87	115.84
Futures	125.56	124.65	126.60	115.55

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Aug	658/0	652/6	669/0	654/4
Sep	658/4	652/2	659/0	662/4
Nov	658/2	651/4	659/4	651/4
Jan	662/2	656/0	663/6	655/0
Mar	666/6	658/0	667/0	658/0
May	667/2	661/0	668/0	660/0
Jul	668/2	661/6	669/4	661/4
Aug	662/0	658/0	662/0	658/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Aug	23.13	22.93	23.13	23.00
Sep	23.16	22.96	23.20	23.00
Oct	23.33	23.12	23.34	23.16
Dec	23.56	23.34	23.66	23.37
Jan	23.67	23.48	23.67	23.52
Mar	23.80	23.68	23.81	23.63
May	23.85	23.71	23.86	23.75
Jul	23.85	23.66	23.90	23.78

SOYABEAN MEAL 100 tons; \$/ton	Close	Previous	High/Low	
Aug	217.0	214.2	218.0	214.0
Sep	213.0	211.0	213.7	210.5
Oct	210.3	208.5	210.7	208.2
Dec	209.1	207.3	209.6	207.0
Jan	208.3	206.3	208.5	206.1
Mar	208.2	205.7	208.5	205.5
May	207.2	205.3	207.5	204.5
Jul	205.7	203.8	206.0	204.0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Sep	238/0	236/4	238/2	236/0
Dec	243/0	241/0	243/4	240/4
Mar	250/0	248/0	250/6	247/6
May	254/4	252/2	255/0	252/4
Jul	256/6	254/0	257/0	254/2
Sep	249/0	248/0	249/2	248/0
Dec	243/0	240/6	243/0	240/6

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Sep	315/0	311/2	316/0	312/0
Dec	322/4	318/4	322/6	318/6
Mar	323/4	320/6	324/0	321/0
May	317/0	314/2	317/0	314/0
Jul	302/4	302/4	303/6	302/0
Sep	306/4	307/4	0	0
Dec	314/4	315/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Aug	75.050	74.800	75.125	74.650
Oct	74.475	74.475	74.675	74.100
Dec	75.250	75.200	75.300	74.900
Feb	75.675	75.575	75.750	75.375
Apr	76.700	76.675	76.700	76.500
Jun	73.500	73.425	73.575	73.350
Aug	72.175	72.150	72.350	72.150

LIVE HOGS 40,000 lb; cents/lbs	Close	Previous	High/Low	
Aug	50.400	50.575	50.675	50.160
Oct	45.575	45.275	45.650	44.850
Dec	45.275	45.275	45.325	44.775
Feb	45.000	44.825	45.100	44.475
Apr	43.900	43.800	43.800	43.400
Jun	48.900	48.800	48.900	48.600
Jul	47.900	48.150	0	47.800
Aug	46.750	46.800	0	46.750

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Aug	42.450	43.350	43.800	41.950
Feb	47.825	48.075	48.400	46.800
Mar	47.000	47.650	47.750	46.825
May	47.750	48.400	45.200	47.500
Jul	48.400	60.200	0	49.400
Aug	49.950	49.950	0	48.000

LONDON STOCK EXCHANGE

Bonds lead share prices higher again

By Terry Byland,
UK Stock Market Editor

AN INITIALLY sluggish UK stock market slipped back to test the Footsie 3,000 level early yesterday but than renewed its advance to close 16.7 up at a new trading and closing peak of 3,025. Renewed gains in UK government bonds provided the chief impetus for equities, with a squeeze on positions in both stock index futures and blue chip shares driving prices ahead.

Corporate developments also worked in the stock market's favour. US regulatory approval for Zofran, its post-operative nausea drug, brought a welcome return of New York buying of Glaxo, which soon rubbed off on to the other pharmaceutical leaders. Weakness of this key sector, which is represented in the core stocks of most large investment funds, has been a significant drag on market confidence this year.

The session opened well, with equity strategists at several leading securities houses reaffirming their bullish stance on shares. Few analysts have raised their 1993 forecasts in spite of the upsurge of the past month, and the range of estimates for the Footsie remains 3,150 to 3,500.

However, with no lead at first from stock index futures or from gilts, share prices began to wilt. Sedgwick, the insurance broker, called the market for a £143m rights issue. The FT-SE 100 Index was soon 6.5 off at 3,001.8 although volume was low.

The first turn for the better came when the UK Monopolies and Mergers Commission announced what was regarded as a somewhat more helpful report on British Gas than had been feared by some stock market specialists. At first, however, it was only British Gas shares, rather than the broad range of the market, that responded positively to the news. Meanwhile, AT&T's bid for McCaw had disappointed speculators in Vodafone, although the shares remained firm.

Equities were moving into the second half of the session before gains at the long end of the bond market reactivated optimism for shares. Falling yields on government bonds have been significant in prompting a reassessment of prospects for the relative return on equities by the end of the year.

The running was taken up by stock index futures and it was soon evident that last week's squeeze on share prices, reflecting unwillingness of fund managers to sell while at the same time seeking to buy, had intensified.

The FT-SE Mid 250 Index, 6.5 up at 3,465.9, also rose to a new peak out the influence of the stock index futures, which is tied to the FT-SE 100 stocks, and of the renewed confidence in pharmaceutical shares, also luminaries of the FT-SE 100 Index, took the interest away from the second line issues.

Strong rises in British Gas, Glaxo and Wellcome gave a boost to the Footsie, but the gain of 2.24 in the Dow Industrial Average as New York opened its new session was of little importance for London.

Of the 638.4m shares traded through the Seaq network yesterday, the contribution from non-Footsie stocks fell to only around 48 per cent, against some 60 per cent last week.

More significantly, retail, or customer, business dipped to £1.12bn on Monday, compared with recent daily averages of around £1.5bn – implying that profit-taking had been fairly light.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates			
*First Dealings:	Aug 2	Aug 16	Sep 6
Option Declarations:	Aug 12	Sep 2	Sep 16
Last Dealings:	Aug 13	Sep 3	Sep 17
Account Day:	Aug 23	Sep 13	Sep 27

*New time dealings may take place from two business days earlier.

Glaxo back in demand

DRUG shares moved smartly forward on a combination of technical factors and news from the US. Glaxo was the best performer, gaining 36½ at 558p in hefty volume of 11m, the biggest daily turnover for six months. Initial strength came from the announcement that the US authourities had approved Zofran, the drug produced and marketed by Glaxo for the prevention of post-operative nausea and vomiting. Drugs analysts said this wider use of the product – Zofran has been available for narrower usage since February 1991 – was welcome, but warned that cheaper post-operative drugs were available in the US.

Technical issues were also at work. Dealers in New York said a strong rise in drugs stocks in the past two days on Wall Street was only just being reflected in London. Yesterday's rises on Wall Street were inspired by a speech by President Clinton on healthcare in which he made no reference to cutting drug prices – an issue which has dogged the sector for several months.

In addition, Glaxo shares are considered to have lagged behind their rivals, with some consideration that they look cheap. Buying interest from the US prompted The Bank of New York to announce yesterday that BNY (Nominees), which holds stock on behalf of US investors, now holds 21.94 per cent in Glaxo.

Among other drug stocks, SmithKline Beecham moved ahead 16 to 448p and Wellcome 34 to 678p.

British Gas firm

The long-awaited report on British Gas prepared by the Monopolies and Mergers Commission was given a cautious thumbs up by a stock market which has been preparing itself for the possibility of much worse news.

Prior to news of the MMC report Gas shares were trading around 3 easier at 320½p. The market's initial reaction to the report was to hoist the shares to a day's high point of 333p before a sustained bout of profit-taking drove the share price down to a closing level of 328p, a net gain of 4½.

The MMC report generated an upsurge in turnover in Gas shares, where some 38m changed hands during a frantic trading session. Turnover yesterday was the highest for a single trading session since July 1990 when the UK government sold its remaining 54m shares in Gas at 220½p a share.

Dealers said the main elements in the MMC report, including a recommendation that the company divests its gas trading activities by March 1997 and a downwards shift in its gas pricing formula, were no more than the market had expected; "It could have been much worse," said one marketmaker.

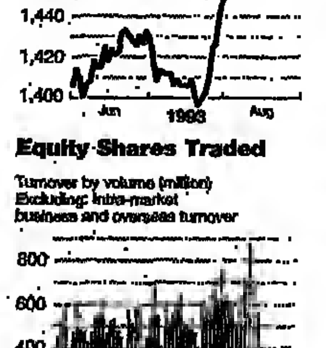
Gas shares embarked on a strong upwards move at the beginning of last week as the market picked up the scent of a less than onerous report from the MMC. Many of the leading broking firms adopted a strong buy stance in the stock, driving Gas shares up to what was then an all-time high.

One analyst who attended the post-MMC report meeting with Gas described the atmosphere among the assembled host as "slightly gloomy," and said the feeling was that the result was "not so bullish as a share price of 338p suggests."

Mr John Toalster at Strauss Turnbull adopted a bearish view of the report; "Sir James McKinnon will be feeling a lot happier than Cedric Brown after this," he said, adding that Gas "will find it difficult to grow the dividend." Mr Alan Masrshall, oil and gas specialist at Swiss Bank Corporation, was firmly in the optimists' camp, setting a 350p price target on the shares and describing the outcome of the report as "pretty good."

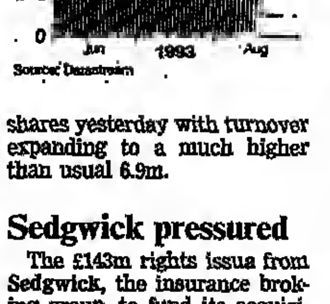
In another twist to the Gas story, rumours began circulating that Gas may embark on a strong push into the global oil exploration business by launching a bid for Lasmo, the troubled oil exploration and production company. It would not be the first time that Gas has shown interest in Lasmo. In the late 1980's Gas launched an unsuccessful "dawn raid" on Lasmo, netting only a handful of shares in the group. There wae considerable two-way interest in Lasmo shares yesterday with turnover expanding to a much higher than usual 6.9m.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business and overseas turnover



Source: Datastream

Sedgwick pressured

The £143m rights issue from Sedgwick, the insurance broking group, to fund its acquisition of financial services group Noble Lowndes from TSB and Scandinavian insurance broker Arvid Bergvall, came as a surprise to the market. One insurance broking specialist described the move as "realistic recognition by Sedgwick of the need to push more deeply into the consulting market."

Sedgwick shares came under increasing pressure as the session wore on with dealers becoming increasingly nervous about the possibility of US group Transamerica placing a short 20m nil-paid shares in the market this morning. The US group, which has a 24.1 per cent stake in Sedgwick, said it will not take up its full entitlement to the issue.

By the close Sedgwick were 15 lower at 191p with turnover reaching a hefty 5.1m shares, the biggest single day's business since mid-July.

Tour war

The prospect of a price war among tour operators knocked Airtours and Owners Abroad, although both recovered strongly to limit the losses. Airtours shares finished 3 down at 375p and Owners just a half-penny at 78p. Although similar talk accompanies the launch of the 1994 brochures every year, this year's has been given added spice by the consolidation in the travel industry this year with Airtours buying two major travel agencies and Thomas Cook taking a big stake in Owners Abroad.

Leisure analysts said that the new integrated companies were unlikely to want to sustain a situation where discounts being offered by travel agencies are added to price cuts from the tour operating business. "These things are usually shown up to be phoney wars pretty quickly," said one seasoned observer.

Market perceptions that the MMC report into British Gas was a lot less damaging to the share price than might have been expected triggered a burst of strong buying interest in water stocks, viewed as a prime target for regulatory interference.

The big trading stocks in the sector all attracted strong support, led up by Thames, 8 better at 533p, North West, 7½ firmer at 528½p, Seven Trent, 6 up at 532p and Anglian, 5 better at 523p. Welsh spearheaded the more thinly traded issues, advancing 10 to 633p, while South West added 9 at 558p.

The electricity stocks also made good progress, with Norweb prominent and finally 7 higher at 564p.

Analysts said the market was wrong to assume that other regulatory bodies would adopt a similar course as in the case of the gas industry. "An assumption that there is a super-regulator and a utilities-wide policy is a dangerous course to steer and is quite clearly not the case," said one utilities specialist who advised caution in chasing the recently buoyant utilities sectors any higher.

There was renewed speculation that Grand Metrolpolitan is about to sell its Chef and Brewer chain of pubs and restaurants. A sale of Chef and Brewer has been rumoured for several months, although drinks analysts believe that negotiations with several parties have foundered over price. Grand Met was thought to be seeking around £750m for the 1,600-strong chain.

Whitbread was one name being suggested yesterday. Its shares bounced 9 to 509p. Grand Met slipped 2 to 451p.

Fears that BICC would announce a rights issue with today's interim results appear to have faded. The shares bounced 20 to 417p.

Presentations by Kwik Save were said to have encouraged some buying interest and the shares leaped foward 22 to 710p.

Dealers said that renewed whispers of a bid in the market for United Biscuits bad no foundation. The shares climbed 4 to 389p.

MARKET REPORTERS:
Christopher Price,
Steve Thompson,
Joel Kibazo.

■ Other statistics, Page 16

FINANCIAL TIMES EQUITY INDICES

	Aug 17	Aug 16	Aug 13	Aug 12	Aug 11	Year ago	*High	*Low
Ordinary share	2366.2	2347.8	2360.7	2369.2	2379.1	1752.8	2379.1	2124.7
Ord. div. yield	3.90	3.94	3.92	3.90	3.56	5.14	4.52	3.88
Earning yld % full	4.70	4.75	4.72	4.70	4.66	7.47	8.38	4.67
P/E ratio net	27.18	26.93	27.09	27.20	27.29	16.92	27.38	19.40
P/E ratio nil	25.14	24.80	25.06	25.16	25.23	15.74	25.32	18.14
Gold Mines	198.0	198.3	190.4	201.1	207.4	81.1	249.2	60.0

*for 1993. Ordinary share index since compilation: high 2379.1 11/8/93 - low 49.4 26/6/40
Gold Mines Index since compilation: high 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2353.1	2347.4	2344.7	2348.7	2351.2	2351.8	2353.1	2353.2	2366.2	2366.7	2344.0

Volume	Aug 17	Aug 16	Aug 13	Aug 12	Aug 11	Year ago
SEAQ Bargains	32,735	37,573	45,250	45,535	37,797	18,876
Equity Turnover(£m)†	-	1120.4	1553.5	2183.9	1824.7	730.1
Equity Bargains†	-	43,261	52,190	51,816	42,558	19,107
Shares traded (mil)†	-	564.8	690.8	887.9	709.2	313.8

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (213).
... Rubicon, Taylor Woodrow, ELECTRICALS (5) Chloride, Johnson, Pifco, Do. A, Wholesale Fittings, ELECTRICITY (11) East Midlands, Eastern, London, Manweb, Midlands, Northern, Northern Ireland, Norweb, South Wales, South Western, Southern, ELECTRONICS (5) Electrocomponents, Electron House, Graystone, ENG AERO (1) Brit. Aero. Pf., ENG GEN (6) Atlas Copco B, Brammer, Eadie, Fife Indmar, Halma, Howden, Senior, Spirax-Sarco, FOOD MANUF (2) Acatos & Hutch., Usborne, HEALTH & HSEHOLD (1) Westminster Healthcare, HOTELS & LEIS (6) David Lloyd, Granada, Do. Pf., Magnolia, Ramsden's (Harry), Rank, Stanley, Whitegate, INSCE COMPOSITE (1) FAI, INSCE LIFE (1) Transatlantic, INV TRUSTS (119) MEDIA (3) Adscene, Haynes, Mirror Grp. News., MERCHANT BANKS (1) Barings Pf., MTL & MTL FORMING (1) Brit. Steel, MISC (6) Airsprung Furniture, BAT 12¼pc Ln. 2003/08, Bluebird Toys, Excalibur, Fine Decor, Heath (Samuel), LOW, Pommeiton Fods., MOTORS (8) Appleyard, Bostrom, Caverdale, Evans Halshaw, Gowrings, Henlys, Lucas, Pendragon, Vardy (Reg), OIL & GAS (3) Aminex, Brit. Gas, Santos, OTHER FINCL (15) OTHER INDLS (2) Cookson, Suter Wrnt., PACKG, PAPER & PRINTG (4) Field, NMC, Do. Pf., Store B, PROP (14) STORES (9) Brown & Jackson, Carpetright, Etam, French Connection, Kingfisher 8⅝pc Ln. 2000, Menzies (J), Rossbys, Tie Rack, TELE NETWORKS (1) Securicor, Do. A, Security Services, TEXTS (6) Dewhirst, Drummond, Ingham, Readmore, Usher (F), Worthington, TRANSPORT (6) Fisher (J), Manchester Ship Canal, Natl. Express, Ocean, Seacon, WATER (4) North West, Severn Trent, Southern, Welsh, MINES (3) Central Pacific, De Beers Linked Uts., Sthn. Pac.
NEW LOWS (26).
BRITISH FUNDS (6) AMERICANS (3) Colgate-Palmolive, Gen. Host, Woolworth, BLDG MATLS (1) Quiligotti, BUSINESS SERVS (1) Penna, CHEMS (1) Plysu, ELECTRONICS (1) Psion, FOOD MANUF (1) Sims Food, HEALTH & HSEHOLD (5) Imareira, Novo Nordisk B, Tepnel Diagnostics, OIL & GAS (2) Ex. Co. Louisiana, LASMO, PROP (1) Raglan, STORES (1) Pentos.

EQUITY FUTURES AND OPTIONS TRADING

THE September futures contract on the FT-SE 100 Index closed at a record high after a late afternoon squeeze in the futures drove the market sharply forward, writes Joel Kibazo.

A good performance in the gilts sector late in the session brought strong demand for the contract. Sentiment was boosted by a buoyant performance by drug stocks around the same time, all of which pushed the contract to a high of 3,038 just before 4pm.

Light profit-taking in the last few minutes before the close left September at 3,031, just ahead of its fair value premium to cash of around 7 points, on volume of 7,516.

The early part of the session was marked by mixed trading. The contract opened at 3,019 and had fallen to 3,006 by 10am on sporadic selling. The publication of a better than expected MMC investigation into British Gas helped to halt the earlier decline.

It was followed by sideways trading for the next few hours before the late demand not only sent September ahead but pulled the underlying cash market higher.

Traded options were also busy and saw total volume of 33,816 lots, against Monday's total of 23,573 contracts. Some 10,781 were dealt in the FT-SE 100 option. The stock options were particularly active and Vodafone Group led the league table with a total of 3,881 contracts, followed by Lasmo with 2,949 trades.

FT-SE

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3025.0 +16.7	3465.9 +6.5	1503.20 +6.85

Hourly movements

FT-SE Actuaries 350 Industry Baskets

LONDON SHARE SERVICE

BRITISH FUNDS

OTHER FIXED INTEREST

Continued on next page

CROSSWORD

No.8,231 Set by CINEPHILE

ACROSS
1 Iceman wanted for film (6)
4 German dog is crooked (8)
9 Row Malay boat in Chaldean city (6)
10 Political grouping, for a long time a facade (8)
12 Greek tendon (8)
13 American declares (6)
15 Dutch cheese produced the wrong way (4)
16 Blood and tears caused by belated closing, Dutch if American? (6,4)
19 Enemy of religion, an old buffoon with shirt off (10)
20 Indian plant for man of the house? (4)
23 German relative? (6)
25 Soldier, at sea if Portuguese (3-2-3)
27 Scottish islander, or Greek with new leader (8)
28 French light? (6)
29 Give tongue about sporting group being very hot (8)
30 Spanish drink to slip into cast (6)

DOWN
1 British in prison could be Dutch (7)
2 Irish direction to Scots? No threats needed (5-4)
3 Spotty, maybe German, miserably inadequate (6)
5 French cape? (4)
6 Scots plant of Petrine origin, also English (4,4)
7 Nice old bill? (5)
8 Welsh furniture in the theatre (7)
11 Crossword people, English, Irish and red (7)
14 Small baby, topped and tailed and inverted: it's appalling (7)
17 Further plea by dentist in powered motion (4,5)
18 Dutch port hustled of old into confidence trick (8)
19 Greek magistrates give a Roman Catholic a degree (7)
21 American avenue, rather cold, outside Western Australia (7)
22 French or other European? (6)
24 Dutch relation (5)
26 Building may be Dutch apart from name (4)

Solution 8,230

JOTTER PAD

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		16⅝xd	+⅛	20⅞	15⅞	13,913	2.8
Allegheny & W.	♥	704p	–2	722p	379p	365.8	2.9
Amdahl		349p	—	691p	302¼p	391.9	1.8
Amer Cyanamid		32¼	—	39⅞	31⅞	2,907	3.6
Amer Express		22⅞xd	–⅛	22⅞	14⅞	10,767	2.0
Amer T & T		40⅞xd	–1⅛	43⅞	33⅞	54,442	2.2
Ameritech		55⅞	+⅛	58⅛	46	24,384	4.5
BankAmerica		30¼xd	–1⅛	36⅛	27⅛	10,932	3.0
Bankers NY		53⅞xd	–1⅛	54⅞	42⅞	4,294	3.9
Bell Atlantic		38⅞	–1½	40⅞	32¼	16,779	4.8
BellSouth		36⅞	—	39⅞	32⅞	18,967	4.9
Bethlehem Steel	♥	9⅞xd	—	13⅞	8	883.6	–
Bowater		1341pxd	–43	1682p	1287p	495.9	3.0
CPC		27⅞xd	–⅛	34⅞	25	4,174	3.1
California Engy		1232p	—	1478p	1056p	224.3	–
Chase Manhattan		23¼xd	–⅛	24½	17⅞	3,069	3.5
Chrysler		29¼xd	+⅛	32⅛	21⅛	8,595	1.4
Citicorp		21⅞xd	–½	22⅛	13⅛	8,019	–
Colgate-Palm		32xd	–⅛	45⅞	32	5,109	3.6
Cont'l Bank		1842p	—	1877p	1278p	1,839	2.4
Dana		36⅛xd	–⅛	37⅞	29⅞	1,667	3.6
Data General		581p	—	851p	527p	154.8	–
Decora Inds	♥	109p	–4	148p	109p	–	–
Dun & Brad		39⅞	–⅛	42⅛	37⅛	7,107	4.1
Eaton		30⅞	–⅛	31⅛	25⅛	2,113	2.8
Echlin		19⅛xd	–⅛	20½	15⅛	1,114	2.5
FPL		26⅛xd	–⅛	27⅞	23¼	4,825	6.3
Ford Motor		35¼xd	–⅛	38½	28⅞	17,208	1.9
Gen Elect		65¼xd	–⅞	67⅛	53⅞	85,163	2.8
General Host	♥	503p	–17	723p	503p	–	4.8
Gillette		35⅛xd	–⅛	42⅞	31⅛	7,707	1.6
Hasbro		20⅞	—	20⅞	20⅞	1,815	6.6
Honeywell		25⅞xd	+⅛	26½	20⅞	3,582	2.3
Houston Inds		30½	—	33¼	30¼	3,950	6.6
Ingersoll-Rand		23⅞xd	–⅛	29	19⅞	2,950	2.0

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot Asian Ptg		224	—	224	139	—	227.4	1.5
Warrants		503	+3	503	225	—	—	—
Scot East		80	—	80	63½	2.4	89.7	11.1
Scottish Inv		220	—	220	183	2.6	246.3	11.8
Warrants		92½	+½	93½	38	—	—	—
Scot Mortgage		220	+2	220	178	2.3	240.7	9.0
Scot National Inc		94xd	—	95½	63	10.0	—	—
Cap		32	—	32	16	—	97.3	07.1
Stepped Pf		155½xd	-1	158½	150¾	4.9	—	—
Zero Div Pf		223½	—	223½	207	—	—	—
Warrants		3½	—	5	2½	—	—	—
Scot Value		91	—	91	71	2.8	92.1	1.6
Sec Alliance		1578	+1	1578	1390	2.9	1683.1	6.3
Second Consld		187	+2	187	88	—	210.6	11.2
Second Market		375	—	378	259	0.7	386.5	2.7
Sec Tst Scot		67¼	+½	80	74½	4.7	68.4	1.3
Select Assets		154	—	154	109½	1.0	181.0	14.9
Eq Ind Serl		143	—	143	128	3.7	—	—
Eq Ind SerII		143	—	143	128	3.7	—	—
SHIRESCOT		138xd	—	138	104	4.8	134.2	-2.8
Shires		279	—	279	231	7.5	275.8	-1.8
Siam Select		147	—	160	87	0.9	166.6	11.7
Warrants		46	—	49	15	—	—	—
Smaller Cos		130	—	130	78	2.5	122.9	-5.4
Warrants		46	—	40	14	—	—	—
Sphere Inc		32	—	32	14	12.4	44.0	28.4
Zero Div Pf		91¼	—	91¼	86¼	—	—	—
Units		865	—	865	786	—	—	—
Sumit		82	+4	82	38	—	—	—
TR City of Lon		150xd	-½	152	126	2.1	94.6	13.8
TR Euro Growth		121	—	121	79	4.0	142.7	-5.1
Ptg Sub		64	—	66	27	1.4	123.0	1.6
TR Far East Inc		164xd	+1	164	112	2.8	—	—
Warrants		67	—	67½	22	3.4	150.4	-8.7
TR High Inc		129	+1	129	102	—	—	—
Sub		61				6.8	124.2	-3.5

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Eurapo Mints	N	38	—	42	15	18.3	—
Glencar Expl IE		11	—	12	6	2.03	—
Greenwich Res		14½	—	22¼	5	11.3	—
Homio Gold C$		£8⅞	+⅛	£8¼	£3½	855.3	1.3
Ivernia West IE		43	+2	57	31	21.6	—
Keas Minis IE		12	—	13	6	0.29	—
Kenmare		8	—	13½	6	8.01	—
Meiinga Res		9	—	25½	8½	0.88	—
Navan Res IE		93½	+5	181	25	15.9	—
5pc Ln Notes		93½	+5	94¾	25	16.5	—
Oryx Gold		78⅞	—	78¾	47	—	—
‡‡Ovoca Res IE		8	—	8	3½	0.56	—
RTZ		687	—	709	607	7,096	3.8

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ♯ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates
c Cents
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment.
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals
P Figures based on prospectus or other official estimates for 1994
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1230 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT8846. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	150.9	158.4	168.8	-2.50	0.00
AIB Grofund Equity	5	218.4	218.8	232.8	-1.80	1.20
AIB Grofund Euro	6	177.8	173.4	188.8	-2.00	0.10
AIB Grofund Eq Balanced	1	108.4	108.5	111.9	+0.40	1.77
AIB Grofund Gilt	3	78.75	78.71	81.20	-0.10	4.08
AIB Grofund Japan	5	191.8	193.7	203.8	-3.90	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corpn St, Coventry 0203 553231

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	450.3	451.7	480.0	-1.7	2.32
General Acc	5	494.0	495.5	527.3	-1.9	2.32
UK Growth Acc	6	326.9	331.2	352.4	-0.4	2.53
UK Growth Inc	6	231.7	234.8	249.9	-0.2	2.53
Higher Inc Acc	6	513.0	521.3	551.9	-1.0	3.86
Higher Inc Inc	6	372.8	377.4	401.6	-0.7	3.86
Gilts/Fxd Int Acc	5½	185.8	185.8	198.2	-0.3	5.70
Gilts/Fxd Int Inc	5½	97.38	97.38	102.8	-0.2	5.76
Nth America	6	249.6	252.4	268.9	-0.1	0.00
Far East	6	328.7	328.7	349.7	-7.9	0.15
Europe	6	240.3	244.2	259.6	-2.0	0.80
Brit Excell	6	67.07	67.07	71.36	+0.94	2.50
Brit Frederik Acc	6	93.07	94.84	100.9	+0.16	4.40
Brit Frederik Inc	6	72.62	73.00	78.30	+0.5	4.40
Global Opps	6	77.52	79.10	84.16	-1.11	0.07
Balanced Acc	6	50.34	50.93	54.19	-0.21	2.40
Balanced Inc	6	50.34	50.93	54.19	-0.21	2.40

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

State Street Unit Trust Mngmt Ltd (1400)F
28 King Street, London SW1 6QW 071-344 7000

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global A	5¼	$20.76	3.718	3.940	—	1.21
US Equities (u)	5¼	$2.176	2.176	2.312	—	1.15
Far East Equities (u)	5¼	Y245.4	245.4	262.2	—	—
Japan Equities (u)	5¼	Y240.9	251.5	267.2	—	—
FT Europe (u)	5¼	117.3	117.8	124.8	—	2.09
FT North America (u)	5¼	$1.719	1.719	1.823	—	1.31
FT Japan (u)	5¼	Y250.2	250.7	266.3	—	—
FT Asia Ex Japan (u)	5¼	$1.985	1.985	2.108	—	1.45

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	351.8	351.8	374.9	-3.7	0.32
(Accum Units) ♥	5	414.5	414.5	442.0	-4.4	0.32
British	5	894.6	894.6	952.3	+3.5	3.85
(Accum Units)	5	1743.6	1743.6	1844.7	-8.2	3.85
Emerging Markets	5	113.1	113.8	121.2	-0.0	0.20
(Accum Units)	5	113.9	114.8	121.4	-0.8	0.20
European	6	408.6	408.6	432.9	-4.1	1.33
(Accum Units)	6	448.4	448.4	474.7	-4.8	1.33
Japan	6	163.5	163.5	173.6	-3.5	—
(Accum Units)	5	164.0	164.8	175.0	-3.5	—
New Pacific	5	317.5	319.1	339.6	-4.6	0.96
(Accum Units)	5	332.7	334.4	358.1	-4.7	0.96
Investment Tst	6	205.7	207.9	220.4	+0.8	1.62
(Accum Units)	5	229.6	232.0	246.0	+0.6	1.62
Mngd Equity	5	159.5	161.2xd	170.6	-0.4	1.47
Mngd Equity Acc	5	174.8	176.7	187.0	-0.6	1.47
Mngd Cash	6	95.84	95.84xd	95.94	—	5.17
(Accum Units)	6	128.7	128.7	128.7	—	5.17
Majority Stg	1	100.02	100.02xd	101.02	+0.01	4.84
Majority Stg Acc	1	118.72	118.72	119.91	+0.01	4.84

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 690300

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity	6	762.4	762.4	815.4	-1.8	2.82
North America	5	120.5	120.5	128.9	-1.5	0.24
Far East	6	135.3	135.3	144.7	-2.6	0.44
W'wide Bond	6	62.97	63.04	66.92	-0.83	5.37
European	6	88.99	88.99	95.16	-0.99	0.82
Equity Income	6	88.02	88.71	94.88	-0.20	3.72
Portfolio	6	78.88	79.16	84.06	-0.70	0.88
UK Leading Cos	6	54.23	54.83	58.33	-0.06	2.82
Sraley Trusts						
Intnl Equity	6	81.75	82.23xd	88.88	+0.18	—

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basingview, Basingstoke, Hants 0800 826726

Lazard Investors Ltd ‡
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Aug 11	£267.5	6489.2	—	2.49
European Aug 11	£749.9	750.7	—	1.45
American Aug 11	£444.7	448.8	—	1.44
Japan Aug 11	£539.6	646.6	—	9.47
Pacific Aug 11	£209.5	209.0	—	0.83
Midland Gilt Jul 30	£128.80	140.70	—	3.7

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Jul 31	178.50	182.15	—	8.74
Equity Jul 31	1042.18	1058.70	—	2.94

* Available only to Local Authorities

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond (z)		116.97xd	+0.4	9.22
(Accum Units)		821.7	+2.4	8.22
NAACIF (z)		48.62xd	+0.2	7.11

Merlin Jupiter Unit Trust Managers Ltd
Merlin Jupiter Exempt Trust

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	815.14	13.38	—	—

Morgan Grenfell Investment Funds Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity † Aug 10	174.8	178.3	—	2.46
UK Small Co † Aug 10	611.3	637.0	—	2.87
Fixed Interest † Aug 10	128.3	129.2	—	6.81
Intl Gross Aug 10	148.6	150.1	—	7.63

Morgan Stanley International

	Bid Price	Offer Price	+ or -	Yield Gross
UK Exempt NAV		21408.80	—	—
Overseas Exempt NAV		21360.75	—	—

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
American Exempt	66.20	67.74xd	-1.11	1.33
European Exempt	58.35	60.15xd	-0.90	2.01
Fixed Int Ex Aug 12	63.14	53.66	—	7.61
Japan Exempt	65.49	67.50	-1.09	0.83
Managed Ex Aug 12	56.60	58.21	—	2.98
SE Asia Exempt	119.50	124.80	-2.30	2.01
Sm Cos Expt Aug 12	44.61	48.84	—	2.84
UK Eqty Ex Aug 12	47.82	49.41xd	—	3.73

PDFM Unit Managers Ltd

INSURANCES

OTHER UK UNIT TRUSTS

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Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Prufund				
Managed Aug 11	313.7	329.3	--	-

Prudential Corporate Pension Funds

30 King 7 Road, Reading RG1 3AH 0734 494852

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Managed Funds				
Discretionary Aug 11	£243.10	250.72	+2.78	-
Equity Aug 11	£271.51	281.87	+3.29	-
International Aug 11	£31.59	32.64	+0.55	-
Intl Bond Aug 11	£21.71	21.46	+0.31	-
Fixed Int Aug 11	£130.13	131.81	+1.46	-
Index Linked Aug 11	£94.83	95.65	+0.50	-
Property Aug 11	£117.15	117.34	-	-
Cash Aug 11	£33.78	33.78	-0.04	-
Pru-Linked Retirement Plan				
Managed Aug 11	565.40	589.80	-	-
Cash Aug 11	305.60	318.40	+0.10	-
Prudential Pensions Investment Account				
Pens Mngd	230.50	247.80	+0.90	-
Pens Mngd A	103.10	108.50	+0.50	-
Pens UK Eq	396.30	416.70	+3.80	-
Pens Intl	298.80	320.00	-1.70	-
Pens Global Eqty	130.90	137.80	+0.60	-
Pens Fixed	295.00	311.40	+1.40	-
Pens Index Lk	239.10	252.10	+0.50	-
Pens Property	90.40	95.20	-	-
Pens Cash	199.50	210.20	+0.03	-
Money Purchase Plan				
Discretionary (z)	133.10	142.70	+0.10	-
Equity (z)	135.10	148.50	+0.10	-
International (z)	136.56	145.50	-0.30	-
Global Equity (z)	135.80	143.80	+0.60	-
Intl Bond Fab (z)	151.00	158.90	-3.40	-
Fixed Interest (z)	147.00	154.50	+0.70	-
Index Linked (z)	131.50	138.20	+3.80	-
Property Feb (z)	101.20	110.80	-	-
Cash (z)	115.40	121.10	-	-

Prudential Individual Life Funds

50 King's Road, Reading, RG1 3AH 0734 494852

	Bid Price	Offer Price	+ or -	Yield Gross
Series I Life Funds				
Managed	735.8	774.6	-2.0	-
Equity	1428.6	1504.1	+1.7	-
Fixed Interest	598.7	630.3	-0.8	-
Property	393.8	414.6	-	-
Cash	366.4	385.7	+0.1	-

[illegible]

Scottish Amicable - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Others				
Capital Guaranteed Bond	103.8	109.3	+0.60	-

Scottish Equitable Life Assce. Soc.

28 St Andrew Sq, Edinburgh 031-556 9101

	Bid Price	Offer Price	+ or -	Yield Gross
Mixed	239.4	252.0	-2.0	-
UK Equity	224.5	236.4	+0.1	-
International	243.1	255.9	-3.4	-
American	239.0	251.8	-1.8	-
European	225.0	237.7	-3.0	-
Japan	262.3	276.1	-6.9	-
Pacific	340.2	358.1	-4.7	-
Technology	314.6	331.1	-3.8	-
Fixed Interest	181.4	190.9	-0.4	-
Indexed Linked	158.8	168.3	+0.1	-
Foreign Bond/Currency	227.5	239.6	-3.7	-
Cash	173.784	182.930	-0.020	-
Ethical	122.2	128.8	-0.2	-
Pens Mixed	687.7	723.9	-7.5	-
Pens UK Equity	762.2	802.3	-0.1	-
Pens International	750.9	790.4	-16.8	-
Pens American	241.9	254.6	-3.0	-
Pens European	262.6	276.4	-4.5	-
Pens Japan	320.7	337.6	-10.3	-
Pens Pacific	384.1	404.3	-6.4	-
Pens Fixed Interest	369.6	389.0	-0.4	-
Pens Index Linked	196.2	206.6	-	-
Pens Cash	276.942	291.518	+0.040	-
Pens Property	213.62	224.80	-	-
Pens Ethical	158.0	166.3	+0.3	-
Edinburgh Inv	369.7	389.0	-	0
Baillie Gifford Japan	262.6	276.7	+0.1	-

Scottish Life Investments

19 St Andrew Square, Edinburgh 031-225 2211

	Bid Price	Offer Price	+ or -	Yield Gross
Property	179.7	189.3	-	-
UK Equity	334.5	352.0	+0.8	-
American	240.9	253.8	-3.1	-
Pacific	339.9	356.9	-1.5	-
European	426.5	449.0	-2.4	-
International	292.7	308.2	-2.2	-
Fixed Interest	243.8	256.7	+1.5	-
Index Linked	196.0	206.4	+0.4	-
Deposit	186.0	195.9	+0.1	-
Managed	363.0	382.2	-0.4	-
Worldwide	117.3	123.6	-1.0	-
With Profits Fund	85.7	90.3	-	-
Pens. Property	209.8	220.9	+0.1	-

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MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

IRELAND (SIB RECOGNISED)

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ISLE OF MAN (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)(**)

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JERSEY (SIB RECOGNISED)

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IRELAND (REGULATED)(**)

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JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar/yen decline checked

THE Japanese yen fell sharply against the dollar yesterday, reversing its recent upward trend, as dealers waited to see whether the Bank of Japan would cut its official discount rate tomorrow, *writes James Blitz.*

On Monday, the Japanese currency looked as though it would break straight through the Y100 barrier against the dollar, as dealers continued to be swayed by the size of Japan's trade surplus and the belief that the US is pursuing a dollar depreciation policy in an attempt to boost its exports.

However, the yen's rise was checked yesterday and, after closing in London at Y101.05 on Monday night, the currency depreciated to a low of Y102.30 in European trading yesterday. It later closed at Y101.45.

There are strong expectations in the market that the Japanese authorities could cut their official discount rate tomorrow by ½ a percentage point to 2 per cent, in an attempt to boost their economy and stop a currency appreciation that is damaging exports. Japanese government officials also said that they had "emergency measures" in mind to stop the yen's rise, which led some dealers to take profits.

However, barring more currency intervention, it was hard to see what the Japanese authorities could do. A cut in the ODR has already been discounted by many dealers. Another fiscal boost would help the economy but would possibly strengthen the currency. Mr John Hall, an economist at Swiss Banking Corporation, believes the yen will break through to the Y90 level by the end of the year in any event.

Trading in European currencies was dominated by a bout of D-Mark weakness, with several dealers talking of speculators taking profits in the wake of the D-Mark's recent move upwards.

The franc appreciated sharply against the D-Mark yesterday, moving to a close of FFr3.517 from a previous FFr3.544. In part, it was helped by another cut in the Bank of France's overnight rate of lending, this time to 8.75 per cent from 9.25 per cent.

But comments from Mr Edmond Alphandéry, the French finance minister, that France was not seeking to introduce capital controls in the wake of the widening of exchange rate mechanism bands may also have helped. One leading fund manager said that the threat of capital controls might still lead international fund managers to put a premium on French assets by selling the franc.

Sterling profited from the D-Mark's weakness, rising 2 pfennigs on the day to close at DM2.5225. Better-than-expected figures for the public sector deficit in July helped bond markets, pushing the currency upwards. Dealers continued to think that sterling's recent fall may have bottomed out.

The dollar was also a beneficiary of D-Mark profit-taking, closing at DM1.6960 from a previous DM1.6965.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 17	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.19672	2.15469	-1.91	8.19	-
D-Mark	1.94964	1.91318	-1.87	8.14	-
Irish Punt	0.808628	0.818478	1.22	4.84	-6
Belgian Franc	40.2123	40.7592	1.36	4.70	-10
Portuguese Escudo	192.854	196.414	1.85	4.20	-12
Spanish Peseta	154.250	158.474	2.74	3.23	-19
French Franc	6.53883	6.76603	3.47	2.36	-35
Danish Krone	7.43679	7.28200	6.12	0.00	-42

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Pesetas per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
119	3.39	2.25	-	0.07	0.28	-
120	2.38	-	-	0.01	0.45	-
121	1.39	-	-	0.05	0.74	0.49
122	0.52	1.18	-	0.18	1.14	-
123	0.09	0.74	-	0.72	-	-
Open Int	108,528	120,138	22,455	225,505	101,683	15,983

Estimated volume 58,353 † Total Open Interest 594,218

† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai	6	Wimbledon & Sth West	7
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

France trims overnight

FRENCH money market interest rates rose yesterday, despite the Bank of France's decision to trim the cost of lending funds through its overnight window, *writes James Blitz.*

The French authorities cut their overnight money market interest rate by ½ a percentage point from 9.25 per cent to 8.75 per cent.

This was the third reduction in the cost of funds lent through this window since the widening of the currency bands in the exchange rate mechanism.

UK clearing bank base lending rate 6 per cent from January 26, 1993

However, dealers continued to think that the speed with which French rates are coming down is too slow to improve the country's economic performance, and those doubts were expressed in a weakening in the value of the French franc on Monday.

The French domestic money markets were shut on Monday, but the cost of 3-month money rose sharply yesterday reflecting the franc's poorer performance the previous day. Three month domestic cash rose from 8.30 per cent on Friday to 8.45 per cent yesterday. Offshore lending rates in the euromarket softened, having risen sharply on Monday. They closed at 8.38 per cent, having been at 8.55 per cent earlier this week.

French franc futures also reflected the upturn in cash rates, with the September Pibor contract dropping 21 basis points to close at 92.62.

The Bundesbank, as expected, left its repo rate unchanged at 6.80 per cent for 14 day funds in the run up to today's money market tender.

German call money edged slightly higher yesterday, being quoted at between 6.70 per cent to 6.80 per cent compared to 6.65 per cent to 6.75 per cent on Monday. This was partly due to more tax payments being received.

Call money is still at the soft end of the Bundesbank's desired range. There are few expectations of a cut in the Bundesbank's discount rate when the central bank's council meets again on August 26.

Sterling markets continued to be quiet yesterday. Three month money was unchanged at 5⅞ per cent, although the yield curve sloped sharply downwards to 5¾ per cent for 6 month rates and 5⅞ per cent for 1 year cash. The December short sterling contract was 2 basis points stronger at 94.70. A shortage of of £450m was removed in the afternoon with late assistance of £55m.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

AUSTRIA

August 17	Sch	+ or −
Austrian Airlines	1,870	—
Bank Austria	1,035	—
Creditanstalt Pf	710	−4
EA General	3,550	—
EVN	1,028	−8
Lenzing	885	−3
OeMV	819	−9
Perlmooser Zement	950	—
Radex Heraklith	412	−3
Steyr Daimler	206	+5
Veitscher Magnesit	314	−9
Verbund (Br) A	623	−10
Vienna Int Airport	480	−6
Wienerberger	3,430	−80

BELGIUM/LUXEMBOURG

August 17	Frs.	+ or −
AG Group	2,620	+10
Ackermans	3,290	—
Almanij	7,880	−80
Arbed	3,980	−40
BBL	3,919	+40
Bank Intl a Lux	15,750	+250
Banq Gen Lux Pts	23,500	+1,175
Banque Nat Belg	35,225	+125
Bekaert	19,400	—
CBR Ciment	12,025	−225
CMB	2,070	+30
Cobepa	5,180	—
Cockerill Priv	130	−8
Colruyt	6,350	+100
Delhaize Frs Lion	1,328	−10
Electrabel	6,100	−30
Electrabel AFV1	6,019	−40
Electrafina ACT	2,745	+15
GBL	3,470	−10
GBL AFV 1	3,400	—
GIB Group	1,274	[illegible]

FRANCE

August 17	Frs.	+ or −
AGF	593	−8
Accor	690	−4
Air Liquide	745	—
Alcatel Alsthom	705	+1
Axa	1,528	−11
BIC	1,300	+10
BSN	899	−3
BNP Cert Inv	597	—
Bancaire Cie	568	−21
Bongrain	2,700	−8
Bouygues	693	−4
CGIP	1,220	—
Canal+	1,323	−2
Cap Gemini S	200	−4.80
CarnaudMetalbox	226	−7.80
Carrefour	2,940	−20
Casino	149.50	−2.50
Chargeurs	1,109	+3
Club Mediterranee	448	+3.40
Coparex Int	583	—
C C F	232.50	+.50
Cr Fonc France	1,153	+19
Cred Lyon (Ci)	780	−18
Credit Local Fr	426.50	−1.50
Credit National	710	−10
Damart	4,229	+29
Docks de France	592	+10
Dollfus Mieg Cie	328	+13
EBF	690	−12
Eaux Cie Genl	2,360	−86
Ecco	835	+7
Elf Aquitaine	444.20	−.80
Elf Aquitaine Certs	372	−5.50
Elf Sanofi	944	−11
Eridania B-Say	817	+2
Eridania B-Say Cl	829	+1
Essilor Int	535	−10
Eurafrance	2,235	−5
Euro RSCG	2,020	−15
Euro Disney	670	—
Euro Disney	60.80	−4.45
Financial	182	+2.50
Fonc Lyonnaise	678	−16
Fromageries Bel	4,630	—

INDICES

NEW YORK

DOW JONES	Aug 16	Aug 13	Aug 12	Aug 11	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3578.15	3599.65	3569.09	3523.35	3583.35 (11/8)	3241.95 (20/1)	3583.35 (11/8/93)	41.22 (2/7/32)
Home Bonds	108.71	105.51	105.43	109.54	108.85 (10/8)	103.49 (11/1)	108.85 (10/8/93)	54.99 (1/10/81)
Transport	1616.39	1618.94	1617.57	1620.01	1682.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	251.52	250.73	250.20	251.05	252.04 (5/5)	217.14 (8/1)	252.04 (5/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3606.54 (3594.52) Low 3547.86 (3547.53) (Theoretical♣)
Day's High 3591.45 (3576.36) Low 3564.62 (3563.51) (Actual♣)

STANDARD AND POOR'S

	Aug 16	Aug 13	Aug 12	Aug 11	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	452.38	450.14	448.36	450.46	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	511.52	507.91	506.39	509.63	524.99 (10/3)	496.40 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	46.72	46.28	46.29	46.84	46.29 (12/8)	39.89 (8/1)	46.89 (12/8/93)	8.64 (1/10/74)
NYSE Composite	250.58	249.70	249.17	249.99	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	441.33	439.08	437.58	438.87	441.33 (16/8)	395.84 (8/1)	441.33 (16/8/93)	29.31 (9/12/72)
NASDAQ Composite	726.89	718.26	717.12	718.77	726.89 (16/8)	645.87 (26/4)	726.89 (16/8/93)	54.87 (31/10/72)

	Aug 13	Aug 6	Jul 30	year ago (approx.)
Dow Industrial Div. Yield	2.86	2.87	2.88	3.11
	Aug 11	**Aug 4**	**Jul 28**	**year ago (approx.)**
S & P Industrial div. yield	2.52	2.53	2.59	2.88
S & P Indl. P/E ratio	25.14	25.09	25.06	26.50

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
HWRL Co	5,030,800	31⅛	+⅛
Am T & T	3,786,700	60⅞	−1½
Merck	3,266,900	29½	+¼
Baxter Int	2,249,100	25⅜	+1⅝
Glaxo	2,241,700	15⅝	+¼
RJR Nabisco	2,217,300	4⅞	+⅛
Wal-Mart	2,126,300	25¼	−¼
T2 Medical	2,014,400	6⅝	−⅛
Telefonos	1,938,100	52	—
East Kodak	1,920,600	61¼	+⅝

TRADING ACTIVITY

† Volume (Millions)	Aug 16	Aug 13	Aug 12
New York SE	229.189	212.752	272.864
Amex	18.017	19.327	20.098
NASDAQ	245.597	233.589	271.287
NYSE			
Issues Traded	2,583	2,578	2,622
Rises	1,165	1,015	846
Falls	786	872	1,075
Unchanged	633	691	701
New Highs	154	117	143
New Lows	32	37	42

CANADA

TORONTO	Aug 16	Aug 13	Aug 12	Aug 11	1993 HIGH	1993 LOW
Metals & Minerals	3140.94	3123.16	3136.24	3123.66	3140.94 (16/8)	2743.31 (21/1)
Composite	4030.30	4014.62	4009.00	4015.89	4028.44 (10/8)	3275.80 (21/1)
MONTREAL Portfolio	1914.56	1912.58	1909.01	1910.49	1939.10 (25/6)	1720.97 (21/1)

Base values of all Indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♣ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. & Correction.

	Aug 17	Aug 16	Aug 13	Aug 12	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1885.1	1870.1	1855.9	1873.3	1885.10 (17/8)	1495.00 (12/1)
All Mining (1/1/80)	869.7	859.1	851.9	877.6	904.50 (2/8)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	392.84	395.60	393.64	393.62	398.63 (12/8)	300.26 (14/1)
Traded Index (2/1/91)	980.77	989.63	1000.64	1006.35	1009.70 (10/8)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1357.59	(c)	1358.12	1365.70	1365.70 (12/8)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	331.50	331.22	330.31	329.02	331.50 (17/8)	251.90 (4/1)
FINLAND						
HEX General (28/12/90)	1447.1	1427.9	1441.3	1426.0	1447.10 (17/8)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	584.61	(c)	585.40	589.74	589.74 (12/8)	471.24 (13/1)
CAC 40 (31/12/87)	2136.29	(c)	2148.00	2161.87	2167.39 (11/8)	1772.31 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	735.82	739.52	736.18	735.13	739.52 (16/8)	598.92 (14/1)
Commerzbank (1/12/53)	2093.90	2106.1	2095.7	2091.4	2106.10 (16/8)	1694.30 (14/1)
DAX (30/12/87)	1910.17	1912.19	1906.58	1904.85	1912.19 (16/8)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7528.70	7489.49	7392.25	7339.55	7528.70 (17/8)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1717.82	1718.72	1718.86	1723.27	1745.39 (10/8)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	608.25	593.04	588.97	580.86	608.25 (17/8)	446.23 (6/1)
MIB General (4/1/93)	1338.0	1305.0	1296.0	1300.0	1338.00 (17/8)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20841.98	20901.49	20745.17	20765.28	21076.00 (3/8)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1681.75	1688.04	1683.08	1686.18	1688.04 (16/8)	1250.06 (25/1)
2nd Section (4/1/68)	2260.16	2262.67	2267.68	2263.55	2384.97 (7/6)	1851.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	784.91	772.76	771.91	776.16	785.49 (5/8)	614.28 (13/1)
NETHERLANDS						
CBS Tot.Rtn.Gen.(End 1983)	373.0	373.0	370.4	369.9	373.00 (16/8)	295.70 (4/1)
CBS All Shr (End 1983)	244.8	244.6	243.0	242.7	244.80 (16/8)	198.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	961.76	974.30	979.17	956.17	979.17 (13/8)	669.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1775.10	1763.08	1758.65	1751.68	1783.30 (3/8)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	487.23	485.67	487.64	483.93	487.64 (13/8)	384.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1754.0♥	1747.0	1667.0	1763.0	2098.00 (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4542.0♥	4529.0	4537.0	4572.0	4719.00 (6/7)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	688.94	691.67	693.57	725.94	777.25 (9/6)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	286.86	(c)	281.22	278.48	286.86 (17/8)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1301.90	1285.0	1293.5	1287.1	1301.90 (17/8)	878.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1064.10	1068.1	1063.0	1058.0	1068.10 (16/8)	904.80 (11/1)
SBC General (1/4/87)	846.70	850.5	845.6	843.6	850.50 (16/8)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4122.16	4118.60	4122.12	4140.75	5013.58 (7/4)	3088.43 (9/1)
THAILAND						
Bangkok SET (30/4/75)	945.82	954.29	964.62	(c)	998.44 (25/1)	818.84 (1/6)
WORLD						
M.S. Capital Intl (1/1/70) $	596.0*	595.6	590.4	588.1	596.00 (17/8)	488.60 (13/1)
Euro Top-100 (26/6/90)	1114.79	1107.43	1105.53	1105.36	1114.79 (17/8)	862.73 (13/1)

**Saturday August 14: Taiwan Weighted Price: 4171.54, Korea Comp Ex: 666.67
♥ Subject to official recalculation.
*Calculated at 15.00 GMT

Base values of all Indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000. JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks
Tuesday, August 17, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Itochu Corp	7.2m	639	−7	Nikko Kyodo	4.5m	569	−12
Koa Oil	6.8m	1,050	+20	Fujitsu	4.1m	777	−18
Nippon Steel	5.4m	380	−2	Cosmo Oil	4.0m	925	−5
Takasago Ind	5.3m	842	−35	Nippon Yusen KK	4.0m	645	−5
Mitsubishi Oil	4.8m	1,090	+10	Hitachi Zosen	3.8m	606	−4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close August 17

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	66	109	13½	13⅛	13⅛	
29⅛	13¾	A L Labs A	0.18	1.0	35	611	18⅛	17¾	18	+¼
65⅞	54⅝	AMP Inc	1.60	2.8	22	1205	65	64¾	64¾	+⅛
72¾	55½	AMR			17	5636	67	65⅛	67	+1¾
2¾	1¾	ARX			14	67	2½	2⅝	2⅜	
51½	29⅞	ASA	2.00	4.5	29	351	45	44⅝	44¾	-¼
30¾	22⅝	Abbott Lab	0.68	2.7	15	11414	25¼	24¾	25⅛	+¼
12⅝	9½	Abitibi Pr	0.50	5.1	4	11	9¾	9¾	9¾	-½
14½	8¼	Acclaim			243	640	u15	14½	14⅝	+¼
33	20½	ACE Ltd	0.40	1.2		2297	32⅞	32½	32⅝	+⅛
12	10¾	ACM Gvt In x	0.55	8.6		505	11¼	11	11⅛	
10	9⅛	ACM GvOpp x	0.80	8.1		134	9⅞	9¾	9⅞	
9⅞	8¾	ACM Gvt Sp	0.80	8.7		473	9¼	9⅛	9⅛	-⅛
11⅝	10½	ACM Gvt Se	0.96	8.7		1057	11	10¾	11	+⅛
11⅝	9⅝	ACM Man x	1.08	9.6		480	11¾	11¼	11¼	-⅛
9⅝	8⅝	ACM Managd x	0.72	7.9		180	9¼	9⅛	9⅛	
12⅝	7¾	Acme Cleve	0.44	4.0	14	130	11	10½	11	+¼
9¼	6½	Acme Elect			233	41	7	7	7	
35⅛	10⅜	Acordia	0.44	1.8	14	37	25¾	25½	25⅛	-⅛
16	10⅝	Acuson			32	452	11⅞	11⅝	11¾	-⅛
21¾	19¾	Adams Expr	0.48	2.4	1	364	20	19¾	19⅞	-⅛
68	45½	Ad Micro	3.00	4.6		380	60¼	64½	65	+1¼
32¾	17⅝	Ad Micro P	3.00	9.4	12	13640	32¼	31¼	31¼	-½
7⅞	5½	Advest Grp	0.16	2.3	12	690	7⅛	7	7	
34¾	16⅛	Advo Inc	0.08	0.5	19	95	17¾	17½	17⅝	+⅛
49⅛	41⅛	Aegon ADR	2.95	6.2	9	50	47⅝	47⅜	47½	+⅛
60½	43⅞	Aetna Lf	2.76	4.7	41	1197	60	58⅞	59	-¾
14½	11½	Affil A	0.36	1.8	30	1711	14¼	14⅛	14⅛	-⅛
32¼	26⅞	Aflac	0.48	1.2	18	1165	u32½	31¾	32½	+⅝

Continued on next page

4 pm close August 17

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
22	16½	S Anita Rt	1.36	8.1	15	208	17¼	16¾	16⅞	-¼
20¾	15⅛	SCOR US Cp	0.32	2.1	189	8	15⅛	675⅛	15⅛	
29¾	20	SPS Techno	1.28	4.5	21	14	28½	28⅜	28½	
14½	12⅞	Sabine Rh x	1.80	12.7	19	47	14⅛	13⅞	14⅛	+⅛
13¾	8⅞	Safecard	0.20	1.6	12	88	13	12¾	12¾	-⅜
23½	18⅞	Safeg'd Sc			8	137	21	20¾	20⅞	-⅛
24¾	14⅞	SafetyKln	0.36	2.3	23	845	16½	15⅛	15⅞	+⅛
18¾	10⅞	Safeway			28	2509	18⅛	18	18⅛	+¼
4⅛	2	SafewayWSS				61	4	3⅞	4	+⅛
44½	37½	StJoePaper	0.20	0.5	125	31	43	42½	42¾	+⅛
37¾	31	StJosL&P	1.76	4.9	14	7	39	38	36	-¼
91	75	St Paul's	2.80	3.1	14	362	90⅞	89⅞	90¼	+¼
11⅞	7⅞	Salant Crp			4	5	8⅞	8⅞	8⅞	-⅛
75¼	39⅞	Sallie Mae	1.20	2.5	10	3346	47½	46⅛	47⅞	+1⅛
15⅞	13	Salomon Br	0.32	2.3		1884	13¾	13½	13¾	+¼
49½	34	Salomoninc	0.64	1.3	12	5789	48¾	48¼	48⅝	+⅜
27	23¼	SanDgo G&E	1.48	5.5	14	527	26⅞	26⅝	26⅞	+⅛
4⅞	3½	SantaFeEDo	0.40	10.7	37	62	3⅞	3¾	3¾	-⅛
11⅞	9⅛	SantaFeERs	0.16	1.65	12	399	10¼	10	10¼	+⅛
40¼	35¾	SantaFePac	2.89	7.4	13	56	38⅛	37¾	37⅞	-⅛
16⅞	12¾	SantaFPac	0.10	0.5	12	3684	19¾	17¾	18¾	+¾
31⅛	21	Sara Lee	0.58	2.3	17	8115	24⅞	24	24⅞	+¾
50½	40⅛	Scana Corp	2.74	5.5	15	1491	50⅛	49⅞	50⅛	+⅛
24⅞	21½	Seacorp	1.42	5.8	18	4953	24⅞	24⅛	24⅛	-⅛
38⅞	23⅞	ScherrRP			23	147	28¼	28	28	-¼
70⅞	51¾	ScheringPl	1.80	3.0	16	6541	61⅞	59¾	61	+1⅞
68⅞	55⅞	Sch'berger	1.20	1.9	24	2741	63⅞	63	63¼	
31¾	16½	Schwab(C)	0.20	0.7	17	1497	30⅛	29⅝	29⅞	-⅛
7¾	5⅝	Schwitzer			41	30	7⅛	7	7⅛	+⅛

[illegible]

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
26	18½	Yankee Egy	1.16	4.5	15	38	26	25¾	25¾	-¼
1¼	⅞	Zapata			19	420	1⅛	1	1⅛	-¼
10½	5⅞	ZenithElec			1	504	7	6¾	6¾	-⅛
29¼	19⅝	Zenith Nat	1.00	3.8	18	21	26	27¾	27⅞	-⅛
0	6½	Zenix Inc	0.82	10.2		276	08	7⅞	8	+⅛
15⅛	12⅛	Zero Corp	0.40	2.7	19	59	14¾	14⅝	14⅝	-¼
40⅝	30⅛	Zurn Ind	0.88	2.8	14	389	32⅞	32	32	-¼
13¾	12⅝	Zweig Fund	1.12	8.5		71	13⅛	13	13⅛	+⅛
10⅝	9⅞	Zweig Totl x	0.96	9.0		235	u10⅝	10½	10⅝	+⅛

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close August 17

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Nomac O&G		78	30	9¼	6⅞	6¼	-⅛
NV Ryan		1	1486	½	⅞	½	
Odetics A		158	30	9⅞	9¼	9⅜	-¼
Oiltan	0.24	28	1672	25⅝	25⅛	25⅛	-⅛

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NASDAQ NATIONAL MARKET

4 pm close August 17

[illegible]

AMERICA

Hewlett drops after results disappoint

Wall Street

US share prices were trapped in a narrow range either side of opening values yesterday in subdued trading, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 3.08 at 3,582.23. The more broadly based Standard & Poor's 500 was 0.09 lower at 452.29, while the Amex composite was up 1.29 at 442.62. At 12.30 pm, the Nasdaq composite was up 1.64 at 738.53, another new record. Trading volume on the NYSE was 153m shares by 1 pm.

Equity markets paused for breath yesterday, after Monday's heavy buying which lifted several key indices to new record highs.

Some initial profit-taking left prices lower soon after the opening bell, but the selling was insufficiently widespread to leave stocks in the red for particularly long.

Within an hour of the start the markets were back in positive territory, but they failed to move much from there for the rest of the morning session. The lack of direction from the bond market was partly to blame for the sluggish movement among equities.

The day's only economic news also contributed to the downbeat mood: the commerce department reported that housing starts had fallen 2.7 per cent in July, providing further evidence that the housing market remains weak in spite of low mortgage rates and a gradually expanding economy.

The big news of the day was Hewlett-Packard which dropped $5 to $70½ in volume of 2m shares after reporting fiscal third quarter earnings of $1.06 a share, up from 75 cents a share a year ago.

In spite of the improvement on a year earlier, the stock fell sharply because the results were not as strong as Wall Street had expected – analysts' forecasts had averaged around $1.20 a share for Hewlett-Packard's latest quarter.

Other notable technology stocks were mixed. Digital Equipment fell $½ to $38⅞, but IBM rose $¼ to $41¼.

Retail stocks were mixed in the wake of the release of second quarter earnings. Dayton Hudson fell $1⅝ to $67¼ on news of a 43 per cent drop in profits to 28 cents a share.

The company also said that it would take a 5 cents a share charge in the third quarter to cover changes in tax rates.

JC Penney rose $⅝ to $45½ after the company unveiled a 40 per cent jump in second quarter earnings to $112m, or 42 cents a share.

Glaxo ADRs climbed $1⅛ to $16⅝ in volume of 2m shares after the company received approval from the Food and Drug Administration to market its post-operative anti-nausea product, Zofran, in the US.

Canada

TORONTO was stronger at midsession as the market forecast a slight rise in interest rates by *Bank of Canada* later in the session.

Analysts had been forecasting a rise of some 80 basis points earlier in the week, but a firmer Canadian dollar had caused them to revise that figure down to between 40 and 50 basis points.

The TSE-300 composite index was up 10.48 at 4,030.68, although this was not reflected throughout with the metal and minerals sub-index down 17.59 at 3,123.35.

Volume at midsession was some 25.9m shares.

SOUTH AFRICA

DISAPPOINTING half-year results from De Beers kept activity muted. Its shares slipped 25 cents to R89.50 as the overall index added 17 at 4,007. The gold shares index gained 7 at 1,754 and industrials 13 at 4,542.

EUROPE

Wide variations in senior bourse performance

SENIOR bourses saw wide variations in performance, *writes Our Markets Staff.*

PARIS, closed for a holiday on Monday, lost ground on disappointment that while the Bank of France eased its 24 *hour lending rate*, it left the intervention rate unchanged.

The CAC-40 index shed 11.71 to 2,136.29 as turnover drifted back from FFr3.6bn to FFr2.9bn. Mr Michael Woodcock at Nikko Europe said that equities were discounting a sharp fall in interest rates and "a speedy resumption of economic growth". A period of consolidation could be expected, he said, warning that "disappointing company earnings figures should amphasise... the seriousness of the current economic downturn".

Euro Disney reacted to last week's news of a fall in third quarter revenues, the shares slipping FFr4.45 or 6.8 per cent to FFr60.80. Peugeot lost FFr4 to FFr693, having announced that it was to suspend production of its 405 model in the UK.

FRANKFURT's DAX index eased 2.02 to 1910.17 after an intraday low of 1895.77. Turnover rose from DM7.8bn to DM8.2bn.

Siemens consolidated, rising 30 pfg to DM684.90; it emerged that Monday's DM8.60 gain followed an upgrade from 'long term buy' to 'buy' from DB Research whose analyst, Mr Sönke Papenhausen, said that improving chip demand had led to a 15 per cent increase in selling prices since last October.

Its subsidiary, AEG, rose DM5.20 to DM173.50 on its leading role in a Siemens-led consortium which has won a DM2.2bn high-speed train contract from Germany's railroad authorities.

In retailing, Asko dropped DM55 to DM745 on its bid for Massa, which reflected the terms and rose DM12 to DM184. In chemicals and metals, Degussa fell DM11.50 to DM371.50 on a drop in half year profits; and, reflecting hopes in mobile telecommunications, Mannesmann rose DM5.50 to DM335.50 on the AT&T bid for McCaw Cellular Communications in the US.

FT-SE Actuaries Share Indices

August 17								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1279.89	1280.32	1280.25	1281.39	1281.85	1282.39	1284.72	1284.89
FT-SE Eurotrack 200	1359.56	1361.81	1362.47	1364.18	1364.06	1364.05	1367.06	1368.15

	Aug 16	Aug 13	Aug 12	Aug 11	Aug 10
FT-SE Eurotrack 100	1276.32	1276.24	1280.84	1274.70	1261.80
FT-SE Eurotrack 200	1358.35	1354.67	1359.88	1354.98	1348.51

Base value 1000 (26/10/90) High/day: 100 - 1285.38; 200 - 1368.27 Low/day: 100 - 1279.72 200 - 1359.55.

MADRID accelerated late on US buying, the general index closing 5.64 higher at 286.86 for a gain of 5.9 per cent over the past five sessions. Turnover climbed again, from Pta25.6bn to Pta26.7bn.

The buying made its impact more obviously, but not exclusively on the relatively illiquid construction sector, where Cubiertas rose Pta540 to Pta8,390, FCC by Pta990 to Pta14,390 and Valderivvas by Pta430 to Pta9,400. In utilities, Gas Natural ended Pta520 higher at Pta9,200 and, among US-traded blue chips, Telefónica rose Pta65 to Pta1,505.

ZURICH tried again to ignore bearish noises from London, the SMI index hitting a high of 2,291 early in the day, but it subsided later to close 14.1 lower at 2,464.8.

There was some nervousness in advance of today's first half results from Credit Suisse; its parent, CS Holding, fell SFr40 to SFr2,825. Cyclicals saw profit-taking but closed above earlier lows, Alusuissa bearers ending SFr14 down at SFr558 after SFr548.

AMSTERDAM saw some switching out of cyclicals into defensive stocks as the CBS Tendency index lost 1.2 to 126.7.

Among the gainers on the day, Unilever added Fl 2.30 to Fl 195.70 and Elsevier Fl 3.60 to Fl 137.40. Williams de Broë in London upgraded the stock yesterday, and commented that the *group's long-term profit*ability would be helped by cost cutting, product development and geographic expansion in Asia, Latin America and east Europe.

Hunter Douglas fell Fl 3.70 or 6 per cent to FL 59.20; it reported a 16 per cent gain in first half profits after the close.

STOCKHOLM was given a boost by SE Banken first half results which came in at the top end of expectations. The bank also announced a SKr5bn rights issue and said that it had withdrawn an application for state assistance. The A shares advanced SKr9.50 to SKr78.50. The Affärsvärlden general index put on 16.9 to 1,301.9 in turnover of SKr1.5bn.

Mr David Longmuir of James Capel said that the results had given the market a shot in the arm. He added that the bank was now solidly capitalised aven although it might not be profitable for some time to come.

Attention would now turn, he said, to forthcoming results due out from Electrolux today, Ericsson on Thursday, Investor on Friday and Handelsbanken, Stora and Sandvik in the next week. Surprises were unlikely, he said, but any less than positive comments could see some profit-taking.

MILAN was lifted by a broker's positive rerating of Generali, which gained L1,505 or 4.7 per cent to L41,000, the Comit index putting on 15.21 or 2.5 per cent to 608.25.

However, Mr Marco Ortelli of brokars Akros Sim in Milan said that while the Comit index has risen by some 20 per cent since mid-June, there were no fundamental reasons behind the upswing.

Fiat and Olivetti were cases in point, he noted, the former adding another L285 to L7,415 yesterday, in spite of recent figures showing a 30 per cent decline in domestic car sales. Olivetti was up L43 at L2,168.

The cement and construction sector was another good performer on the day, with Italcementi gaining L680 or 5.8 per cent to L12,475.

ASIA PACIFIC

Hong Kong and Singapore establish new record highs

Tokyo

HEIGHTENED hopes of a discount rate cut initially pushed up share prices, but a late afternoon fall in the yen prompted profit-taking, and the Nikkei average ended marginally lower, *writes Emiko Terazono in Tokyo.*

The Nikkei lost a net 59.51 at 20,841.98, having risen to a high for the day of 21,025.60 during the morning, the first move above the 21,000 level since June 7. However, the subsequent profit-taking pulled the index down to a low for the session of 20,749.47 just before the close.

Volume increased to 320m shares from 234m. Dealers led market activity, while foreign investors were active buyers. Overall rises still led declines by 648 to 309 at the close, with 199 issues unchanged, but the Topix index of all first section stocks was finally 6.29 easier at 1,681.75. In London the ISE/Nikkei 50 index was 0.42 firmer at 1,281.34.

The dollar, which fell to a record low of Y100.40 in the morning, managed to close higher following comments by government officials which suggested that an economic stimulus package was being formulated for the autumn. Traders said buy orders were cancelled soon after the yen moved back to the Y101 level.

In spite of the Nikkei's retreat, some analysts said the underlying tone remained firm. Mr Alan Livsey at Kleinwort Benson International said: "People do not seem to be reacting to bad news because they do not want to sell into a bottoming economy."

Profit-taking depressed steelmakers and shipbuilders. Nippon Steel shedding Y2 to Y390, Mitsubishi Heavy Industries Y11 to Y700 and Hitachi Zosen Y4 to Y606.

Trading houses, which had firmed recently on hopes of an interest rate cut, lost ground. *Itochu, the most active issue of* the day, receded Y7 to Y625 and Mitsubishi Y10 to Y1,160.

Oil issues gained further ground: Koa Oil was Y20 stronger at Y1,050.

Brokerages, which had eased on Monday on reports of heavy losses at Cosmo Securities, turned upwards on bargain hunting. Nomura Securities put on Y10 at Y2,210 and Nikko Securities Y10 at Y1,350. Cosmo was once again suspended for the day on the three major exchanges.

In Osaka, the OSE average declined 53.71 to 22,718.49 in volume of 25.4m shares. Electrical, machinery and textile issues weakened, while domestic demand related stocks firmed.

Roundup

THERE were further record highs established by the Hong Kong and Singapore markets yesterday.

HONG KONG made fresh headway, helped by strong overseas buying, and the Hang Seng index ended 39.30 higher at another all-time closing peak of 7,528.79. Earlier in the session it reached 7,541.77 before succumbing to profit-taking. Turnover swelled to HK$5.3bn from the previous day's HK$4.6bn.

Property shares were the day's only losers as banks led the market forward. HSBC Holdings, which releases its interim results later in the month, was the most active stock in turnover of HK$341m as the shares climbed HK$1.50 to HK$85.50.

Profit-taking was evident in the property sector, with Hang Lung Development relinquishing 10 cents to HK$11.70 and Henderson Land losing 20 cents to HK$21.50.

SINGAPORE's Straits Times Industrial index attained a new record close of 1,928.34 with a rise of 5.45.

Volume decreased to 111.8m shares from the 115.4m registered on Monday. Among the actives were Great Eastern Life, Java Fund and Jurong Engineering.

In KUALA LUMPUR the index neared its previous record close set earlier this month, the composite index advancing 12.15 to 784.91.

Tenaga and Telekom, which have a combined weighting of 40 per cent in the index, firmed 30 cents apiece to M$10.70 and M$15.60 respectively.

SEOUL was in uncertain mood as santiment remained upset by the government's ban on false-name trading. The composite index finished 2.73 down at 688.94, but off the day's low of 679.76. Turnover amounted to Won356.4bn.

Among the actives were companies with low price/earnings ratios, popular with foreign institutions, following rumours that the government might lift the ceiling on foreign ownership from 10 per cent to 15 per cent.

AUSTRALIA was lifted by strength in National Australia Bank, a firmer gold sector and optimism ahead of the federal budget.

The All Ordinaries index closed 14.4 ahead at 1,886.1 in turnover of A$448.6m.

NAB appreciated 28 cents to A$11.24 following a number of brokers' upgrades.

The golds index moved up 68.0 to 2,148.9 on the overnight bullion price rise in New York. North Flinders Mines moved forward 30 cents to A$12.80 and Pintonic 25 cents to A$7.15.

BOMBAY rallied after a weak start, with most leading shares ending firmer. The BSE index climbed 73.65 to 2,576.98.

COLOMBO was pulled lower by a fall in blue chips, the all-share index shedding 13.67 to 748.85. Turnover expanded to SLRs85m from SLRs57.2m.

Germany leads European turnover gains

William Cochrane analyses the continued upsurge in bourse activity

Reflecting a 6.4 per cent advance by the FT-Actuaries Europe index in July, turnover in Europe's top eight equity markets rose strongly for the second month in succession.

A rise of 20.8 per cent for the month follows one of 20.3 per cent in June, and a fall of 2.5 per cent in May against April, when markets seemed shaken by their sheer ebullience in the early months of this year.

Turnover on Seaq International, the London-based screen dealing system, rose by 21.8 per cent for the seven Continental markets, notes Mr James Cornish, a strategist with NatWest Securities, which produces the turnover figures. This, he says, means that London activity rose slightly as a percentage of the domestic markets, underlining the strong interest of international investors. Germany was the headline performer in volume terms over the month, a 43.2 per cent rise in turnover comparing with a share price gain for the market which was slightly below average, at 5.8 per cent in local currency terms.

France, which showed a 5.6 per cent gain, saw slightly lower turnover on the month, the clear inference for Germany being that share price appreciation was less important to buyers, short-term, than other considerations.

The German equities team at Kleinwort Benson Research says as much. "Liquidity has pushed the market ever higher," it says, but the DAX index has yet to revisit its all-time high and this sets Germany apart from many other major European markets."

In Frankfurt, the month started with key interest rate cuts from the Bundesbank, but turnover did not start to motor until almost a week later as it became widely perceived that US and UK investors, underweight in German stocks, had changed their asset allocation policies. In the end, the month came out 61 per cent higher than the previous three-month average, and only 2.6 per cent below the record level of January, 1990 in the euphoria following the opening of the Berlin wall.

There were strong performances elsewhere. The Netherlands saw a gain of 27.8 per cent, 31 per cent over the previous three months, as the market rushed to buy cyclical stocks; trading in Dutch stocks in London continued to rise as a share of domestic volume, notes Mr Cornish.

In Belgium, with the market up 3.6 per cent, turnover rose 23.6 per cent to a level not seen since March. Italian turnover climbed 15.6 per cent to a record high, 31.2 per cent on its three-month average as the share price index reocred after a fall in June. UK activity rose on interest rate hopes, and its Swiss counterpart on this year's phenomenal interest in bank shares. Spain joined France on the downtrend as economic uncertainty put stock markets in the shade.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Apr 1993	May 1993	Jun 1993	Jul 1993	US $bn
Belgium	58.18	40.98	50.65	59.86	1.63
France	117.45	122.95	154.32	151.18	25.39
Germany	113.50	104.40	131.80	163.75	108.41
Italy	31,098.4	19,665.6	30,864.8	35,687.2	22.12
Netherlands	16.80	15.70	16.90	21.60	11.01
Spain	698.67	1,116.74	844.84	806.04	5.56
Switzerland	14.00	18.70	24.80	26.90	17.68
UK	38.79	40.82	41.68	45.99	68.26

Volumes represent purchases and sales. Italian data adjusted to exclude off-market trading. Some figures may be revised. Source: NatWest Securities

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	MONDAY AUGUST 16 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY AUGUST 13 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (68)	143.31	+0.4	143.17	91.54	125.86	140.68	+0.6	3.57	142.78	145.04	92.24	126.97	139.84	144.63	117.39	132.97
Austria (17)	165.96	+0.4	165.80	106.01	145.52	145.78	-0.4	1.32	166.02	168.65	107.26	147.64	147.43	187.13	131.16	147.23
Belgium (42)	149.82	+1.7	149.68	95.69	131.26	133.01	+0.9	4.31	147.36	149.69	95.19	131.04	133.01	158.76	131.19	141.63
Canada (108)	125.39	+0.0	125.27	80.09	109.93	119.35	+0.0	2.83	125.33	127.32	80.96	111.45	118.34	130.38	111.41	125.57
Denmark (33)	215.85	+1.8	215.65	137.88	189.26	204.77	+0.2	1.10	212.39	215.75	137.21	188.87	204.30	225.64	185.11	231.55
Finland (23)	111.02	+0.5	110.92	70.92	97.35	137.01	-0.8	0.88	111.57	113.34	72.08	99.22	138.15	111.57	65.50	68.20
France (97)	161.27	+1.3	161.11	103.00	141.39	151.15	+0.0	3.06	159.13	161.65	102.80	141.50	151.15	167.36	142.72	157.55
Germany (60)	123.29	+1.7	123.17	78.76	108.10	108.10	+0.2	1.96	121.26	123.17	78.34	107.83	107.83	123.29	101.59	116.48
Hong Kong (55)	296.47	+1.1	296.19	189.37	259.86	295.10	+1.1	3.22	293.32	297.97	189.49	260.86	292.03	301.51	216.62	234.69
Ireland (15)	166.55	+1.4	166.39	106.38	146.03	170.05	+0.1	3.27	164.32	166.92	106.16	146.13	169.94	170.40	123.28	156.97
Italy (70)	73.59	+0.2	73.52	47.00	64.52	86.26	+1.1	1.85	71.29	73.13	46.50	64.02	87.30	73.59	53.78	63.25
Japan (470)	165.91	+1.4	165.76	105.98	145.48	105.96	+0.3	0.78	163.65	166.14	105.66	145.46	105.66	165.91	100.75	90.14
Malaysia (69)	363.16	+0.3	362.81	231.96	318.41	356.79	+0.3	1.92	361.98	367.66	233.82	321.87	355.82	364.55	251.66	228.08
Mexico (19)	1683.96	+0.6	1682.36	1075.63	1476.51	5733.35	+0.0	0.86	1619.21	1644.83	1046.05	1439.94	5514.68	1725.81	1410.10	1360.70
Netherland (24)	177.60	+2.0	177.43	113.44	155.72	153.89	+0.5	3.51	174.20	176.85	112.53	154.91	153.17	177.60	150.39	163.32
New Zealand (13)	57.03	+0.3	56.97	36.43	50.00	54.83	+0.2	4.07	56.86	57.76	36.74	50.57	54.72	57.99	40.56	43.74
Norway (22)	176.82	+1.0	176.66	112.95	155.04	176.58	-0.5	1.49	175.07	177.84	113.10	155.69	177.44	176.82	137.71	156.71
Singapore (38)	271.08	+0.1	270.82	173.18	237.68	203.75	+0.0	1.72	270.72	275.00	174.89	240.74	203.73	271.08	207.04	183.36
South Africa (60)	195.99	+1.1	195.81	125.19	171.84	200.49	+0.9	2.55	193.22	196.27	124.82	171.82	198.70	215.29	144.72	187.49
Spain (43)	124.80	+0.8	124.78	79.78	109.51	135.93	+0.0	4.38	123.93	125.89	80.06	110.21	133.41	132.82	113.23	136.31
Sweden (36)	186.80	+0.8	186.42	119.18	163.62	222.10	-1.0	1.52	185.57	188.50	119.88	165.03	224.44	187.21	149.70	183.71
Switzerland (50)	133.48	+2.5	133.33	85.25	117.03	123.93	+0.6	1.75	130.21	132.27	84.12	115.81	123.23	133.46	109.91	111.65
United Kingdom (218)	182.16	+1.5	181.99	116.35	159.71	181.99	-0.1	3.85	179.28	182.12	115.81	159.42	182.12	182.16	162.00	181.32
USA (520)	185.00	+0.5	184.82	118.17	162.21	185.00	+0.5	2.77	184.12	187.03	118.95	163.74	184.12	186.27	175.36	171.45
Europe (750)	152.19	+1.8	152.04	97.21	133.45	148.82	+0.1	3.05	149.77	152.14	96.75	133.19	146.67	152.19	130.92	145.97
Nordic (114)	175.74	+0.7	175.57	112.25	154.09	184.72	-0.7	1.35	174.53	177.29	112.75	155.20	185.02	175.74	142.13	169.84
Pacific Basin (714)	166.80	+1.3	166.64	107.63	148.01	112.96	+0.3	1.03	166.55	168.18	107.60	148.12	112.48	166.80	105.69	96.36
Euro-Pacific (1464)	161.86	+1.5	161.71	103.38	141.91	126.84	+0.2	1.81	159.54	162.06	103.05	141.87	126.53	161.86	117.29	116.42
North America (628)	181.29	+0.5	181.12	115.61	158.98	180.53	+0.5	2.77	180.46	183.32	116.60	160.51	179.70	182.38	171.51	168.61
Europe Ex. UK (532)	133.18	+1.8	133.05	85.09	116.80	126.21	+0.2	2.52	131.05	133.12	84.66	116.56	125.94	133.18	112.51	124.96
Pacific Ex. Japan (244)	198.07	+0.6	197.88	126.54	173.68	182.60	+0.7	3.03	196.85	199.96	127.19	175.07	181.59	198.07	152.70	157.74
World Ex. US (1651)	161.90	+1.4	161.74	103.42	141.96	128.84	+0.3	1.84	159.59	162.12	103.11	141.93	128.46	161.90	119.51	118.29
World Ex. UK (1953)	167.24	+1.0	167.08	106.83	146.66	142.75	+0.4	2.01	165.52	168.14	106.94	147.21	142.18	167.24	134.22	133.05
World Ex. So. Af. (2111)	168.51	+1.1	168.35	107.64	147.78	145.93	+0.4	2.17	166.70	169.34	107.70	148.26	145.33	168.51	137.29	135.01
World Ex. Japan (1701)	172.20	+0.9	172.04	110.01	151.01	162.72	+0.4	2.86	170.84	173.54	110.25	151.77	162.07	172.20	157.47	160.02
The World Index (2171)	168.57	+1.1	168.41	107.68	147.82	146.32	+0.4	2.18	166.78	169.40	107.73	148.31	145.80	168.57	137.32	135.30

Latest prices were unavailable for this edition. Markets closed 16/8/93: Belgium, France & Spain.